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DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1991

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

H.R. 5021

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1991, AND FOR OTHER PURPOSES

Part 1 (Pages 1-671)

Arms Control and Disarmament Agency
Board for International Broadcasting
Department of Commerce
Federal Communications Commission
Securities and Exchange Commission
U.S. Information Agency

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DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1991

MONDAY, FEBRUARY 21, 1990

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:34 a.m., in room S–146, the Capitol, Hon. Ernest F. Hollings (chairman) presiding.

Present: Senator Hollings.

FEDERAL COMMUNICATIONS COMMISSION

STATEMENT OF ALFRED C. SIKES, CHAIRMAN

ACCOMPANIED BY:
- ANDREW FISHEL, MANAGING DIRECTOR
- MARILYN McDERMETT, BUDGET OFFICER
- ROBERT PETTIT, GENERAL COUNSEL

OPENING REMARKS

Senator HOLLINGS. The subcommittee will please come to order. Our ranking member is delayed by another hearing, but he wanted to give his regards and respects to you and the other members of the FCC. We will have a short session here so we may hear from Vaclav Havel, the Czechoslovakian President at a joint session. That will limit our time for questioning here so we ought to use every minute that we have.

I want to thank Senator Rudman for his leadership and help in our drug hearings. We just completed, I should say, three good days of hearings on drug law enforcement and education in South Carolina.

The request for 1991 for State, Justice, Commerce is $19,730,621,000, an increase of $555,277,000 over this year's 1990 request. You say, "How do you find one-half a billion bucks?" Read my lips, "It doesn't take taxes." All you do is go through this same old program of elimination of EDA, trade adjustment assistance, public television facilities, close out legal services; just go right on down the list, juvenile justice. We do that every year for 9 years, and we don't close them out, and of course, that won't save that amount of money in any event.

Unfortunately, Chairman Sikes, the charade continues. With the FCC, I hope the charade is over. If we can get you and some other members involved, we might get the Federal Communications Commission back in the business of administering the policies enunciated by the Congress.

For several years now, the members of the Commission felt that they had a role in political mumbo-jumbo, with deregulate, deregulate, deregulate. The truth is that we passed the rules and policies and regulations and they have been consistently and constantly disregarded by the Federal Communications Commission. I hope that we can get better cooperation out of this Commission to carry out those particular policies.

The FCC request is for $117,998,000, an increase of $10,448,000. It provides for the restoration of 28 staff years lost in the curtailed budget over the last few years.

We welcome both Mr. Sikes and Mr. Fishel. I think you have other bureau heads that you might want to refer to from time to time, but let me yield now and hear your statement, please.

Mr. SIKES. Thank you, Mr. Chairman. I do have the most senior management of the FCC with me. In order not to take undue time, I will not introduce each of them, but certainly they are available to provide any detail that you might like.

With me today specifically in respect to the budget are Managing Director Andy Fishel and Marilyn McDermett, who is our Budget Officer.

FISCAL YEAR 1991 BUDGET REQUEST

I have now completed 6 months as the Chairman of the FCC. I have now had adequate time to assess both the Commission's responsibilities and resources. I am troubled by what I have found, and I am concerned about the FCC's ability to perform effectively all of its responsibilities.

If the FCC lacks adequate funding, quality will suffer, and timely decisions will become a memory, especially in the communications and information services sector. Such a result is intolerable. Communications and information services are critical to deliver a broad range of commercial, Government, and social services. How effectively the country harnesses these new technologies and capitalizes on the efficiencies they generate will hinge, in part, on how well the FCC is able to meet its responsibilities.

Let me now summarize our 1991 budget proposal. The FCC is requesting $117.9 million in appropriations and authority to hire 1,778 full-time equivalent employees for the fiscal year. This represents a 9.7-percent increase over our fiscal year 1990 appropriation, which was $107.6 million after the sequestration.

It is an increase of about $10.4 million, of which some 45 percent constitutes nondiscretionary, nondeferrable cost increases. The balance, about $6.9 million, is called programmatic increases. In actuality, however, it constitutes what I believe is needed to restore integrity to the Commission's overall regulatory and enforcement responsibilities.

Due to collection and enforcement activities in fiscal 1991, it is likely you will recover about one-third of our spending request. In fiscal year 1989, the FCC remitted to the Treasury more than $55 million in fees due to an unprecedented volume of cellular radio telephone applications.

Let me also note that unlike other regulatory agencies, the FCC currently lacks authority to retain what it collects. Pending authorization legislation would let us recover some though not all of the costs associated with these collections. As a matter of long-range policy, however, I want to make the FCC self-sufficient and would like to have the subcommittee's support.

It is important, Mr. Chairman, to place these increases in context. During the eighties, our communications and information economy roughly doubled and grew even more in terms of new services, enterprises, and international competitive challenges. At the same time, the FCC's budget actually shrank by nearly one-third in actual spending power.

Even with the modest increase provided in fiscal 1990, as proposed in our current request, the FCC will still embark upon this last decade of the 20th century with 20 percent less in revenues and human resources than it enjoyed in 1981.

IMPACT OF REDUCED RESOURCES

This resource shortfall, Mr. Chairman, has had perhaps its most immediate impact on the American public and the businesses the FCC regulates. Processing times in some areas have grown longer; staff shortages have necessitated cutbacks in a number of enforcement efforts.

Mr. Chairman, the FCC is committed to maintaining the effectiveness and integrity of its overall regulatory process. At the same time, we want to take steps needed to ensure the United States has a telecommunications infrastructure second to none.

In respect to the budget, there are three key areas I would like to emphasize. These are: First, high definition television, where the FCC is responsible for adopting new standards which will usher in future generations of television.

Second, there is the matter of open network architecture [ONA], where the key issues involve ensuring that our telecommunications assets are available to support new communications and information services.

Third, there is a range of issues regarding our management of the radio spectrum resource, and the introduction of new, radio-based resources. Just as the convergence of computer and telecommunications technologies has produced major changes in the telephone industry, the computerizing of broadcasting almost certainly will yield comparable changes and advances in television.

FISCAL YEAR 1991 REQUESTED RESOURCES

Our budget request contains a proposal for six additional engineers to work on these changes, which are generally known as the HDTV issues. It also proposes about $500,000 in further equipment, research, and contract efforts to support the FCC's overall HDTV effort. We believe this is the minimum necessary to maintain credibility in this evolving, high-technology field.

How effectively our telephone network performs has obvious ramifications for consumers, business, and Government. Last year, for example, spending for computers equaled about 3 percent of our gross national product. More than one-quarter of business investment in equipment went to install computers and related machinery. This was in addition to our already very large installed base of computer equipment.

We can capture the efficiencies inherent in this large store of computers more effectively if we can link them using the latest in communications facilities. Achieving that link, however, presents a number of regulatory challenges. Our budget request calls for about $423,000 in additional automation and Common Carrier Bureau support. This will go to strengthening our current resources and abilities in this critical area.

The third major program area which I would like to discuss concerns our overall radio spectrum management. Demands on this resource are growing exponentially. One of the largest challenges we face today is finding ways to allow new and innovative uses of the spectrum without causing harmful interference.

Our fiscal year 1991 budget request provides for upgrading our computer and technical facilities, hiring more engineers rejuvenating our enforcement programs. We are proposing, for example, to expand our fleet of radio monitoring vehicles, in order to more effectively measure and police use—and misuse of the airways. Funds are also proposed in support of our participation in the World Administrative Radio Conference, which the International Telecommunications Union will be convening in 1992. That conference will set the ground rules for use of the radio spectrum for the balance of the century. It is important that the United States be well prepared to advance its national interests.

PREPARED STATEMENT

Mr. Chairman, that concludes my abbreviated statement. I have submitted, as you have noted, a fuller statement for the record. I would be happy to answer any questions.

Senator HOLLINGS. Your statement in its entirety will be included in the record.

[The statement follows:]

STATEMENT OF ALFRED C. SIKES

Thank you for this opportunity to review the appropriations request of the Federal Communications Commission (FCC) for fiscal year (FY) 1991.

With me today are the FCC's Managing Director, Andy Fishel, and our principal budget officer, Marilyn McDermett. Also present are the Commission's General Counsel, Bob Pettit, as well as our principal bureau chiefs and office heads. We would, of course, be pleased to respond to any detailed questions the Subcommittee or its staff might have.

I have now completed six months as the FCC's Chairman. Now that I have had adequate time to assess both the Commission's responsibilities and resources, I am troubled by what I have found, and concerned about the FCC's ability to perform effectively all of its responsibilities.

Summary of Statement

My statement today is in three parts. First, I would like to summarize our FY 1991 appropriations request, to provide some of the pertinent percentages and other budget statistics, and also to draw your attention to the information which is contained in the charts and other summary material we provided earlier to the Subcommittee.

Second, I want to discuss some of the public and national implications of the recurrent financial challenges the FCC confronts -- and, even under this proposed budget will continue to face. If the FCC lacks adequate funding, quality will suffer, and timely decisions will become a memory. In the communications and information services sector, such a result is intolerable.

Our budget predicament, of course, is not unique. Fiscal austerity imperatives have affected a broad range of other Government programs as well. Where the challenges we face are different, however, is in the potential impact on our international competitiveness. For example, if the FCC is unable to address high-definition television (HDTV) issues both well and on a timely basis, that could have very serious consequences for U.S. competitiveness. Similarly, if the FCC is unable effectively to implement and monitor its "Open Network Architecture" (ONA) initiative, that also could generate negative consequences which would ripple throughout our economy.

Communications and information services are increasingly vital and important factors of production, critical to the delivery of a broader and broader range of commercial, government, and social services. How effectively the country proves able to harness these new technologies, and to capitalize on the great efficiencies they generate, will hinge in large part on how well the FCC is able to meet its statutory responsibilities.

Finally, Mr. Chairman, I would like to conclude my statement by identifying several of the key issues and concerns which we plan to address in the next few months and years. These initiatives, of course, are reviewed in detail in the budget material we have earlier submitted. Nevertheless, I would like to highlight those topics which I believe warrant special attention by the Subcommittee, because I believe they are so important to our country.

Summary of Budget Proposal

Let me begin, now, by summarizing our FY 1991 budget proposal. If you will turn, please, to the first page of the Introduction, you will see that the FCC is requesting $117.9 million in appropriations, and authority to hire 1,778 full-time equivalent employees (FTEs) for fiscal year 1991.

Percentages and Dollar Increases

Our request, Mr. Chairman, represents a 9.7 percent increase in funding over our FY 1990 appropriation -- which was about $107 million, after this year's sequestration.

This represents an increase of about $10.4 million. Of that amount, however, some 45 percent constitutes nondiscretionary, nondeferable cost increases. Office rent, printing, mail, and other costs, for instance, have steadily risen, and we anticipate that the pay and benefits increase for civil servants and appointees (which the Administration has approved) will add more than $3.9 million alone to our FY 1991 budget needs.

The balance of our request -- about $6.9 million -- is technically denominated "programmatic increases." In actuality, however, it constitutes simply the additional funds and personnel which I believe are minimally needed to restore systemic integrity to the Commission's overall regulatory and enforcement responsibilities.

Treasury Receipts and Collections

Due to collection and related activities in fiscal 1991, it is likely we will recover about one-third of our spending request, or about $41 million.

In fiscal year 1989 -- the last year for which we have definitive statistics available -- the FCC remitted to the Treasury more than $55 million in fees. Much of this was due, however, to an unprecedented volume of cellular radiotelephone service applications.

Let me also note that, unlike other regulatory agencies, such as the Securities and Exchange Commission (SEC), the FCC currently lacks authority to retain the fees and other funds it collects. Pending authorization legislation would allow us to recover some, though not all, of the costs associated with these collections. As a matter of long-range policy, however, I want to make the FCC, as other regulatory agencies, generally self-sufficient, and would like to have the Subcommittee's support.

Restorative Measures

It is particularly important, Mr. Chairman, to place the modest increases we are requesting in a broader context. During the Eighties, our communications and information economy roughly doubled in revenues -- and grew even more in terms of new services, new enterprises, new international competitive challenges, and new policy complexities. At the same time, however, the FCC's budget actually shrank by nearly one-third, in terms of actual spending power.

Consequently, substantial personnel and other operational cuts were incurred. Our authorized workforce, for example, declined by more than 21 percent between 1980 and 1990. The resources available for enforcement of our rules and regulations attenuated greatly as well. For want of resources, the agency charged by Congress with regulating one of the highest technology sectors of our economy also lagged behind most of the rest of the Government in terms of its ability to integrate modern data processing and improved management into its operations, even to install the most routine of communications tools. Not until December 1989, for example, shortly after I became Chairman, did the FCC move from rotary dial to touch-tone phones. Also affected were our Laurel, Maryland, research and testing laboratory facilities where, currently, some of the technical equipment used is actually older than the employees who work with it.

Even with the modest, restorative increases provided in fiscal 1990, and proposed in our current budget request, the FCC will still embark upon this last decade of the 20th Century with 20 percent less in revenue and human resources than it enjoyed in 1981.

Consequences of Resource Shortfalls

This resource shortfall, Mr. Chairman, has had perhaps its most immediate impact on the American public and the important businesses that the FCC regulates. Processing times in some areas, for example, have grown longer, with the result that business has had to bear the cost of delay. Staff and other resource shortages necessitated cut-backs in a number of enforcement efforts. And, resource shortfalls also meant less ability on the part of the agency to reform and streamline its regulations, in line with the changes underway in this dynamic sector.

New Commission Initiatives

When I became Chairman, I set as a fundamental FCC goal providing the public with courteous and timely service. I directed our bureau chiefs to reorder priorities, to the maximum extent possible, to speed up our application processing and tariff review procedures. An internal task force was organized to resolve the large number of pending broadcast indecency complaints.

In accordance with the the Hollings Amendments, which require timely action on proposed new high-technology services and expeditious action on phone company price changes, we were able to resolve more than 80 percent of the tariff backlog matters, and to authorize several new communications offerings -- for example, the Lo-Jack system for recovering stolen cars, which enjoyed the very strong support of law enforcement agencies across the country.

I also directed the Mass Media Bureau and other FCC offices promptly to act on cable television concerns. In order to assist Congress, we have accelerated a statutorily required survey report on the industry. Additionally, and for the first time in more than 40 years, we have commenced a series of national cable field hearings where we hope to give the public an opportunity to speak with the FCC Commissioners and senior staff, and to explain their concerns.

We have also begun to work more closely with state regulators and other state officials. Next month, I will be the first FCC Chairman to address the National Governors Association. In April, the FCC will host a first-ever "Regulatory Summit," at which all the FCC Commissioners and state regulatory agency chairmen will meet to address our common interests and concerns. We want to continue to work together, to minimize potential duplication of effort and program conflicts.

Major Areas of Interest

Mr. Chairman, the FCC is committed to maintaining the effectiveness and integrity of its overall regulatory process. At the same time, we want to take those additional steps which are needed to ensure that the United States continues to have a telecommunications and information services infrastructure that is second to none.

There are three key areas which I would like to emphasize today. These are, first, the issue of HDTV, where the FCC is responsible to adopt new standards which will usher in future generations of television. Second, there is the matter of Open Network Architecture (ONA), where the key issues involve ensuring that our telecommunications assets are available to support a broad range of new communications and information services. Third, there is the whole range of issues that have arisen regarding our management of the radio spectrum resource, and the introduction of new, radio-based services.

HDTV Concerns

Just as the convergence of computer and telecommunications technologies has produced major changes in the telephone industry, the "computerizing" of broadcasting almost certainly will yield comparable changes and advances in the television field.

HDTV services already are being offered in Japan, where large-scale government support has helped their industry to move forward. Their interest in this technology stems from their strong position in consumer electronics. But it also reflects the fact that HDTV technology will have a significant impact on the semiconductor sector, as well as on an array of other video and related products.

Domestically, we face the challenge of ensuring that any system deployed does not cause a substantial dislocation of our prevailing broadcast system, nor diminish the value of the more than $100 billion consumers and industry have invested in that system. We also need to ensure that the system we ultimately adopt is grounded in a firm research and development commitment which is keyed to the U.S. market. We want to make sure that all the succeeding technological generations of high-resolution television introduced in the United States preserve, indeed, reinforce our own unique broadcast culture and the principle of localism.

The budget request you have before you contains a proposal for six additional engineers to work on HDTV issues. It also proposes about $500,000 in further equipment, research, and contract efforts needed to support the FCC's overall HDTV effort. We believe that this is the minimum necessary to maintain credibility in this evolving, high-technology field that will have so large an impact on consumers as well as American business and industry.

Common Carrier Issues

How effectively our telephone network performs has obvious ramifications for consumers, business, and Government. The nationwide telephone system represents a national investment that exceeds $434 billion, according to the latest Commerce Department estimates. Additionally, about $239 billion in customer-owned systems and equipment is connected with, and in large part dependent upon, our backbone regulated network.

The FCC in recent years has taken a number of steps aimed at increasing the ability of consumers and industry to make use of this massive national investment. Our ONA program, for example, obligates the telephone industry to expand its offerings -- to "unbundle" its services -- to enable entrepreneurs and others to provide a wide range of computer-related, "enhanced" services. Additionally, through its regulatory reform efforts, the FCC has sought to encourage investment and efficiency on the part of the industry.

These interrelated initiatives are critical to the future competitiveness of the American economy. Last year, for example, spending for computers equalled about 3 percent of our Gross National Product. More than a quarter of business investment in equipment went to install computers and related machinery. This was in addition to our already very large installed base of computer equipment.

We can capture the efficiencies inherent in this large store of computers more effectively if we can link them using the latest in communications facilities. Achieving that linkage, however, presents a number of regulatory challenges. We need to monitor the implementation of ONA plans more effectively, and to scrutinize the tariff filings by the industry more closely as well. And, to do that will require a substantial investment in automation equipment as well as some additional personnel.

Our budget request calls for about $423,000 in additional automation and Common Carrier Bureau support. This will be employed for telecommunications regulation, and will go to strengthening our current resources and abilities in this critical area.

Radio Spectrum Management

The third major program area which I would like to discuss, Mr. Chairman, concerns our overall radio spectrum management activities.

Managing the use of the radio spectrum lies at the heart of the FCC's statutory responsibilities. This resource constitutes a linchpin, essential to the delivery of an enormous range of public, business, industry, and government goods and services. Including the sale of equipment that uses or depends on the spectrum, more than $100 billion in economic activity a year is involved.

Demands on this resource are growing exponentially. In the Eighties, new spectrum-dependent services such as cellular radiotelephones materialized, and there was large-scale growth in other radio services as well. At the same time, Government requirements, which are managed independently by the National Telecommunications and Information Administration, expanded greatly. Also introduced were many new products and systems -- microwave ovens, cordless phones, and computers, for example -- which are either dependent upon the spectrum, or susceptible to interference. Consequently, the task of accommodating all of these myriad demands has greatly grown.

One of the largest challenges we face today is finding means of allowing new and innovative uses of the spectrum, without at the same time causing harmful interference. Meeting this challenge will require us to upgrade both our computer-based analytical resources, and to engage additional expert engineering personnel. At the same time, we need more rigorously to enforce our technical rules, to reduce radio interference, and ensure an environment that is conducive to maximum use of this resource.

Our FY 1991 budget request contains funding that will help us meet these challenges. It provides for upgrading our computer and technical facilities, hiring more engineers, and rejuvenating our enforcement programs. We are proposing, for example, to expand our fleet of radio monitoring vehicles, in order more effectively to measure and police use -- and misuse -- of the airwaves. Funds are also proposed in support of our participation in the World Administrative Radio Conference which the International Telecommunication Union will be convening in 1992. That international conference will help set the ground rules for use of the radio spectrum for the balance of the century. It is important that the United States be well-prepared to advance its national interests.

Without the resources that are called for, the FCC will be less able to meet its fundamental responsibilities to promote the larger and more effective use of the radio spectrum in the public and national interest. While radio spectrum management does not always command the high-profile visibility of other FCC responsibilities, such as cable television or HDTV, it constitutes one of our core functions. I urge the Subcommittee to support our efforts in this respect.

Conclusion

That concludes my statement, Mr. Chairman. We would be pleased to respond to any questions which you or the Subcommittee's staff might have.

INDECENT BROADCASTING

Senator HOLLINGS. I appreciate your highlighting it. We appreciate your appearance. I particularly appreciate your statement. It looks like we will get back to work over there at the FCC. I don't think we will have any trouble getting the amounts needed. Perhaps there will be more needed in the light of trying to prepare and adjust yourself for a resumption, let's say, in common carrier telecommunications from the courts back to the Commission itself.

That is beginning to move, maybe gradually or just by certain increments. But as I see it, I can see that happening here in the next year, this year or next year. Sometime we will get the FCC back to administering communications policy rather than our courts doing it, even though I think the distinguished judge has been doing a very credible job.

With respect to the stepdown and now stepping back up, I am glad to see that you are getting into the high definition television. You have got to prepare yourself for that, as you outline it; the open network architecture and of course, then, the radio spectrum.

I think that you can put on maybe even more personnel in those fields than what you outlined there. I hope that can take care of it.

One of the things that comes about as a breakdown is the pornography and violence and everything else appearing. What is the FCC doing about that?

Mr. SIKES. We have acted swiftly on indecent broadcasting. We completed our work on a 2½-year backlog in late August and early September of last year. We have had a number of complaints that have simply been resolved with consent agreements. Others are being contested. We are working through those complaints now.

We have filed several additional complaints. However, since our actions, there seems to be some lessening of complaints which, hopefully, means there is some lessening of the kind of material that is actionable.

We intend, additionally, to complete our inquiry and the development of the record on support of the Congress' 24-hour ban on indecency within the next 3 months. So we are acting, on the one hand, in the enforcement area; and, on the other hand, to build a record to support the congressional enactment of the last year.

CHILDRENS TV

Senator HOLLINGS. On childrens television, we passed a bill and it was vetoed. We are ready to go with that again. Is the Commission prepared to administer a bill of that kind on childrens television?

Mr. SIKES. Yes.

TV MARTI

Senator HOLLINGS. With respect to Television Marti, there was a dichotomy as to whether your former Office of National Telecommunications and Information Administration in Commerce would handle it or the FCC. The FCC has been designated. I think the aerostat is temporarily down, but they hope to start by next month. Then, of course, we will see whether there is jamming, but necessarily, we feel good about Voice of America, Radio Free Europe, Radio Marti and now TV Marti, because you see what is happening all over Europe today, and there is no question that Radio Marti has had a marked effect in Cuba, and TV Marti will have even more so. Even if it is jammed, then that will be explained on Radio Marti.

I want to make sure that you and the FCC are prepared to cooperate and administer the facility at TV Marti. Do you have any comment?

Mr. SIKES. We are and have been, and I think we have worked toward the kind of monitoring activity during the testing period that will be necessary. However, with respect to moving to more permanent monitoring, we would have to set up three monitoring stations, and would need, I am told, $1.2 million toward that end, and then on a continuing basis, we would be looking at $172,000 in support for those three monitoring stations that will be down in the Keys.

Senator HOLLINGS. But you have enough money now for the startup?

Mr. SIKES. It is my understanding that we are working with the USIA people, and we will be able to work out an agreement with them plus using our own resources to handle the test period, yes, sir.

Senator HOLLINGS. Regarding the agreement, when do you envision the agreement being entered into? I have been informed that we are ready to go, just about, and you are informing me that we are getting together and starting to agree. Where are we?

Mr. SIKES. I think with respect to the monitoring, the agreement I am talking about is on the resources. Does somebody have a specific comment? Dick?

This is Dick Smith, who heads our Field Operations Bureau, Mr. Chairman.

Senator HOLLINGS. Very good.

Mr. SMITH. Senator, we are conducting, with VOA and other agencies, tests at the present time. We started last week. We are continuing this week, and we will be able to handle that.

We also have a draft reimbursable agreement that is being finalized between the two agencies that, hopefully, will provide the mechanism to continue in the long term.

PRICE CAPS

Senator HOLLINGS. Good. I heard you just started, but I was wondering about the implementation. I appreciate it very much.

With respect, then, to the price caps, you say that you intend to implement the price cap plan for the local companies but then you don't have enough money to do the things that you are supposed to do right now. How are you going to implement it without the money?

Mr. SIKES. I think that we do have sufficient funds in the price cap area. We are on the verge of issuing a further notice, a proposed rulemaking in this area, aimed at two things: No. 1, the productivity factor to make sure there is some productivity dividend for consumers; and No. 2, what is called, in the jargon of this industry, the stabilizer factor, which is aimed at making sure there are not excess profits earned as a consequence of price caps.

We believe that price cap regulation, in fact, over time, will reduce our costs because it won't require the voluminous data file that is filed under rate of return regulation, although companies can opt, at least in the initial phases, to stay under rate of return regulation.

Though that is going to be taxing, we think it is an important regulatory reform. We think we can do it in a way that protects the consumer. We think we can do it in a way that gives incentives to phone companies to become more efficient, to be more innovative, and so we are going to try to find the resources to accomplish each of those ends.

Senator HOLLINGS. Do you think you have sufficient funds to do those things?

Mr. SIKES. We have got a request in this budget for the Common Carrier Bureau. Additionally, we have already prepared our material for the 1992 budget cycle, in part, in response to Senator Stevens, who had asked us for a full assessment after I had been there 6 months.

That material, I think, has been provided or will be provided to your staff soon. I think there will be need to be an additional increment in the 1992 budget.

ANTITRAFFICKING

Senator HOLLINGS. What about the antitrafficking provision, Mr. Sikes? You more or less did away with that, and people are buying and selling stations right and left. As you well know, the gimmick is to fire the new staff, saving money and thereupon, double the number of commercials at break time to cause clutter. The mission, of course, of broadcast is a media, and this is happening. It sort of responds to the competition, so they put out clutter and everything else like that.

It bothers the Congress to see us going down, trading with people just in and out of a financial thing, because after all, this is more or less a public trust. There is only so much, as you indicated, of the radio spectrum. There is only so much TV spectrum out there, and it is an exclusive monopoly. When they talk about the Fairness Doctrine, I would just as soon end that argument by giving them a permit, like a license to drive on the road, give everybody a license and see how long they like that. They would be back up here asking for regulation.

Right to the point, can't we reexamine that public trust feature so that we cut out the trafficking and at least stay in broadcasting, help build it up and everything else, rather than using it as another leveraged buy-out?

Mr. SIKES. Let me answer that in two different ways: First of all, I believe it is important that radio stations, and television stations, examine local issues and have programming responsive to local issues. I have made that clear, and I have instructed the agency in that respect.

I think that is the most crucial point in respect to the public trusteeship that you have just referred to. With respect to trafficking, the most recent examination of the turnover of stations discloses that there is less turnover caused by the leveraged buy-out phenomenon. What I believe happened was we removed the antitrafficking rules; we allowed people to increase from 7 to 12 the number of stations they can own, and then we changed the capital gains tax, increasing it in 1986. Those three things, happening within about 24 hours of one another, converged to create a real spike in trafficking.

As a radio broadcaster, I favored removal of antitrafficking rules simply because I would go to a bank to try to finance an acquisition, and the bank would say, "But you can't do anything with this for 3 years," and it would be a problem in respect to getting financing.

Senator HOLLINGS. That is a crazy bank. You should have gone to the bank and said, "I hope you will hold on and make the payments for 3 years."

I don't know what bank you went to. [Laughter.]

Mr. SIKES. Let me just simply say that I think we can achieve what we both want to achieve by emphasizing to stations inspecting, surveying, talking to community leaders, identifying local issues, doing responsive programming, and I think that is an approach that will help to accomplish what you want to accomplish.

Senator HOLLINGS. How many did we have? I know the year before last, the 1988 figure was 18 stations bought and sold within a year. How many did they have in 1989?

Mr. SIKES. Bought and sold within a year? I can't answer that, but I will get that to you, and I will supply that information for the record.

[The information follows:]

The Mass Media Bureau has reviewed all license transfer and assignment grants made in 1989. Of the 1,418 grants in 1989, only five stations, all radio, were sold twice during the year. Another 10 stations were technically transferred twice during the year. However, the "double sale" of each of these stations was part of a single, larger transaction in which the broadcast station was "passed through", usually to ensure compliance with the Commission's multiple ownership rules.

MINORITY OWNERSHIP

Senator HOLLINGS. That is what the gentlemen in broadcasting are coming to the office complaining about, and they still are. They don't think it is a peak. They think it is continuing to increase.

What is the program with respect to minorities?

Mr. SIKES. We have first got in the development stages an outreach program that will include a variety of our communications technologies and services. The concentration has been, to this point, exclusively on broadcasting, and sometimes it is better to look at cellular, look at specialized mobile radio, look at paging than it is to simply look at radio, which is the more mature industry and hasn't had some of the growth that these new technologies have had. We have been working on an issue in that area.

Beyond that, with respect to the broadcast items, you are aware of the distress sale policy, the tax certificate policy, the minority preference in comparative proceedings, and we have recently filed briefs in the Supreme Court, where two of those three policies are being considered, supporting the minority preference policies.

PROPOSED RELOCATION COST

Senator HOLLINGS. I noticed we don't have in your budget any funds for rules and regulations. You didn't use any last year to promulgate any rules and regulations, but there is a lot of money in here for moving and furnishing and space. What gives? Are we just going to move the FCC around and figure that is the job of the Commission, or are we going to promulgate rules or regulations?

Mr. SIKES. We are, and we have got active rulemakings in a number of different areas, the cable area, the long distance area, the price cap area, the architecture area.

The moving that you referred to is due to the fact that our lease expires in early 1993. We have been told that we have to buy furniture a year in advance so that we have got the furniture, the systems furniture, for the move when it takes place, and we are currently working with the GSA on that move.

I wish we didn't have to move, meaning that I wish that wasn't something we had to deal with.

STATEMENT OF NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

[CLERK'S NOTE.—Subsequent to the hearing the subcommittee received the following statement from the National Association of Regulatory Utility Commissioners regarding the fiscal year 1991 appropriations for the Federal Communications Commission. By direction of the chairman the statement has been printed in the record.]

[The statement follows:]

STATEMENT OF THE NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

This statement is submitted for the record of the Subcommittee on Commerce, Justice, State, the Judiciary and Related Agencies of the Senate Committee on Appropriations on behalf of the National Association of Regulatory Utility Commissioners (NARUC).

The NARUC is a quasi-governmental, nonprofit organization founded in 1889. Within our membership are the governmental agencies of the fifty States, the District of Columbia, Puerto Rico and the Virgin Islands which are engaged in the regulation of utilities and carriers. Our chief objective is to serve the consumer interest by seeking to improve the quality and effectiveness of government regulation in America.

The Association appreciates this opportunity to request your support for funding to defray the travel expenses of the State commissioners and supporting staff of the two Federal Communications Commission Federal-State Joint Boards (CC Docket Nos. 78-72 and 80-286 and CC Docket No. 83-1376) which will be meeting during the 1991 fiscal year. [See Appendix for list of Joint Board members.]

Introduction

The Communications Act of 1934 grants the FCC regulatory authority over telecommunications services provided over State lines and reserves regulatory jurisdiction over services that are purely intrastate for State regulatory agencies. Recognizing that not all regulatory matters are easily delineated as being either interstate or intrastate, Congress included in the '34 Act Section 410 providing for Federal-State joint boards as a forum for the resolution of communications issues that impact on both the State and interstate jurisdictions. This section also authorizes appropriations for the travel expenses incurred by members of the boards in the course of performing their duties.

Later, in 1971, the Congress enacted the Federal-State Communications Joint Board Act (Public Law No. 92-131) which expanded on Section 410 by explicitly requiring that issues involving the jurisdictional separation of telephone plant, expenses, and revenues be decided, in the first instance, by a joint board. In addition, the 1971 amendment grants discretionary authority to the FCC to refer other issues of joint Federal-State concern to a joint board. Congress' determination that this body be comprised of four State regulatory commissioners and three FCC commissioners evidences the strong congressional will to have significant State input into joint board decisions.

Over the past few years, we have witnessed an ever greater variety of issues being initially decided by Federal-State joint boards. The FCC's willingness to refer more and more discretionary issues to joint boards for resolution probably reflects the FCC's own satisfaction with this process and the soundness of its decisions. Thus, we have seen joint boards consider such diverse issues as jurisdictional reporting of access traffic, lifeline assistance for the disadvantaged, the operation of the interstate toll settlements pool, high cost fund assistance to small rural exchange carriers, Link-Up America installation assistance, and Alaska rate integration, among others.

On policy questions of State and Federal concern, joint boards have provided an eminently more efficient and congenial alternative to constant appeals by State regulatory commissions of FCC decisions. Indeed, the travel expenses of Joint Board members and staff probably pay for themselves in saved Federal court time and costs.

It is interesting to note that a Congressional Research Service study revealed that of the 350 FCC Orders to be challenged between 1986 and 1988, 80 of the decisions, or roughly 23 percent, were reversed or remanded by the U.S. Court of Appeals. While most orders from the Joint Boards are challenged in the Court of Appeals, not one Commission decision fashioned through the Joint Board process has ever been reversed. This speaks to the nature of Joint Board decisions which tend to incorporate many views rather than the ideology of an FCC majority.

The Main Joint Board

The main joint board (CC Docket Nos. 78-72 and 80-286), which considers jurisdictional separations matters, will continue to look at some of the most politically sensitive issues in telecommunications in FY91 including the allocation of the costs of new services between the State and Federal jurisdictions and comprehensive monitoring of the effects on industry and consumers of recent increases in the monthly subscriber line charge.

The influence of the States in achieving a compromise to the FCC's subscriber line charge plan is perhaps the most telling example of the Joint Board's immeasurable contribution to consumers and the nation as a whole in developing national telecommunications policy. Subscriber line charges, monthly fees on all local telephone company bills, recover a portion of the fixed costs of the local exchange that were once recovered through long distance rates.

In 1987, the State members of the Main Joint Board were under pressure from the FCC and the telephone industry to quadruple the $2.00 fee. While the States generally favored the less regressive per-minute charge to interexchange carriers (which would be reflected in long distance rates), the telephone exchange industry, with the full support of the FCC, proposed to further raise the monthly charge from $2 to $3 in the summer of 1987, to $4 in January of 1988, and eventually to the level high enough for full recovery of the fixed costs, which was estimated to be approximately $8 per month on a national average.

After lengthy and highly publicized negotiations between the Federal and State commissioners, the Joint Board agreed on a package of proposals. While not incorporating the exact provisions advanced by State regulators, the Board's recommendations were dramatically different from the FCC and industry proposals. Not only were subscriber line charge increases spread over a longer period of time, but the Board agreed to forever cap the charge at $3.50, less than half the $8.00 sought by the industry. As a direct result of State advocacy, the Board also required a comprehensive monitoring program to assess the effects of SLC increases on consumers and industry with quarterly reports to the NARUC and the Congress, and it established the popular Link Up America program which pays half of low-income customers' telephone service installation charges up to $30 and reimburses telephone companies for any interest costs associated with deferred payment schedules for service installation. Currently 41 States and the District of Columbia are providing Link Up assistance.

In the NARUC's view, this compromise between the States and the FCC is a prime example of the Joint Board process at its best. The compromise should result in a 15 percent reduction in long distance rates over the next six years while not endangering universal service by pricing low-income consumers off the local network.

In other areas, the main Joint Board, in 1984, was charged with resolving many issues relating to the divestiture of AT&T and played a critical role in heading off a confrontation between the States and FCC over the separations treatment of equal access and network reconfiguration costs. In 1985, the Joint Board adopted the Lifeline program under which the FCC matches State assistance to low-income households up to the amount of the Federal subscriber line charge. Twenty-seven States, the District of Columbia and Puerto Rico are currently providing lifeline assistance.

The Alaska Joint Board

In 1985 the FCC created another Joint Board (CC Docket No. 83-1376) to analyze the compatibility of current rate integration policies and competition in the provision of telecommunications service between the contiguous States and Alaska, Hawaii, Puerto Rico and the Virgin Islands. Rates for telecommunications services in those States and territories are not integrated with those of the forty-eight contiguous States. The Alaska Joint Board is analyzing economic and social policy data to determine to what extent urban areas should continue to subsidize rural service and if the United States should continue to maintain nationally averaged rates. These issues are very politically sensitive and have shown clear benefit from the Joint Board process. Naturally, decisions fashioned by a board of Commissioners from the FCC, Alaska and the lower forty-nine States are more likely to reflect concerns of the broad variety of interested parties. During the past year, the efforts of this joint board have been significantly hampered by their inability to meet due to lack of travel funds.

Other Joint Boards

In addition to those described above, joint boards have been established to consider other matters of mutual State and Federal concern. For example, a Joint Board was established in 1985 to determine interstate and intrastate usage of Feature Group A and B minutes of use for computation of access charges (CC Docket No. 84-124), and another was established in 1986 to conform the Separations Manual to the new Uniform System of Accounts (CC Docket No. 86-297). In 1987, the USoA Joint Board completed its work simplifying the Separations Manual which should result in significant administrative cost savings which will be passed on to consumers through lower rates. The Main Joint Board will monitor the impact of these changes as it looks at the effects of the subscriber line charge.

Joint Board Travel Expenses

Joint Boards will continue to play an active role in future telecommunications policy decisions. Since the issues assigned to the boards are of national scope, their efforts require a significant amount of travel by the State members and their staff to Washington, D.C. and by all Joint Board members and their staff to other parts of the country.

The expenditure of State resources in the joint board process is substantial. While the full salaries of the 23 joint board members and staff are paid by their State commissions, an average of one-forth of their time is spent on joint board matters. In fact, the States' in-kind contribution well exceeds the modest appropriation for travel funds we request.

Due to the significantly expanded monitoring role the main Joint Board has undertaken and the full agenda of the Alaska Joint Board, the NARUC respectfully requests that Congress appropriate $168,000 for FY91 to defray the travel expenses of Joint Board members and their staffs. Section 410(a) of the Communications Act provides the necessary authorization for the appropriation of these funds.

In fiscal year 1991, the joint boards anticipate ten meetings: six meetings for the board considering separations matters and four meetings for the Alaska rate integration joint board. With the travel costs of joint boards averaging $16,800 per meeting in Washington (expenses are higher if the meetings are held elsewhere, as FCC travel would be additional), the FCC will require $168,000 to fund these important meetings. The NARUC respectfully urges this Subcommittee to continue its support for the joint board process by specifically earmarking $168,000 in the FCC budget to make its meetings possible.

Last year, this Subcommittee did not give Joint board travel expenses specific mention in its bill although full funding was enthusiastically supported in the full Committee's report language (S.Rpt.101-144). Unfortunately, the FCC allocated only approximately $20,000 to defray joint board travel expenses in fiscal year 1990 -- down from $35,000 in FY1989 and $80,000 short of the $100,000 Congress had consistently appropriated in prior years. Needed meetings are not being held because of this budget shortfall.

State involvement is essential to determining crucial telecommunications issues because State officials are uniquely situated to assess the needs of their consumers and to balance any competing interests. Moreover, the Federal government benefits in convening Joint Boards by acquiring the benefit of State expertise, conserving the use of Federal officials and strengthening Federal-State cooperation. It would be inappropriate for a few State commissions with limited travel budgets to bear the travel, food and lodging expenses of the cooperating commissioners and staff when the service they provide is of national benefit.

Conclusion

At a time when the telecommunications industry is undergoing a dramatic transformation it is imperative that Federal and State regulatory bodies continue to work together to implement the impending changes and ensure a smooth transition without disruption in services to the public. In order to maintain effective State participation in these efforts, the NARUC respectfully urges the Subcommittee's support for an $168,000 appropriation to defray the expenses of the State commission and staff members of the Federal-State Joint Boards.

APPENDIX
STATE MEMBERS OF FEDERAL-STATE JOINT BOARDS

Federal-State Joint Board on MTS and WATS Market Structure and Amendment of Part 67 of the Commission's Rules (FCC CC Docket Nos. 78-72 and 80-286)

George H. Barbour, New Jersey (10/7/86-6/30/92)
Ronald L. Lehr, Colorado (8/14/87-6/30/90)
Thomas M. Beard, Florida (9/26/89-6/30/92)
William E. Long, Michigan (3/7/90-6/30/91)

Staff Committee for Federal-State Joint Board (FCC CC Docket Nos. 80-286 and 78-72)

Ronald G. Choura, Michigan, Chair
Elton Calder, Georgia
Rowland L. Curry, Texas
Charles D. Gray, NARUC, Observer
Frederick Sistarenik, New York
Diane Hockman, Ohio
Joel B. Shifman, Maine
Carl F. Hunt, Jr., Colorado
Robert B. Capshaw, North Carolina
Paul Pederson, Missouri
Michael Gallagher, New Jersey
Dean Evans, California
Brenda Buchan, Florida

Federal-State Joint Board on Integration of Rates and Services for the Provision of Communications by Authorized Common Carriers between the Contiguous States and Alaska, Hawaii, Puerto Rico and the Virgin Islands (FCC CC Docket No. 83-1376)

Bruce Hagen, North Dakota (1/6/86-1/6/92)
Susan M. Knowles, Alaska (9/15/87-1/6/91)
Nels J. Smith, Wyoming (9/15/87-1/6/92)
William E. Long, Michigan (7/8/88-1/6/90)

Staff Committee for Federal-State Joint Board (FCC CC Docket No. 83-1376)

Ronald G. Choura, Michigan PSC, Chair
Timothy J. Devlin, Florida
Rowland L. Curry, Texas
Lorraine Plaga, Alaska
Charles D. Gray, NARUC, Observer
Carl E. Hunt, Jr., Colorado
Mike Korber, Wyoming
Allen Roll, North Dakota

ADDITIONAL COMMITTEE QUESTIONS

Senator HOLLINGS. Right. Well, we appreciate your appearance here, and we will leave the record open for the other members. As you can well imagine, we are trying to get underway with our Appropriations subcommittee hearings, I know six others were supposed to be meeting at the moment. So, I expect the other Senators will be wanting to ask some questions for the record. We appreciate your taking over and your leadership and presentation here this morning.

Mr. SIKES. Thank you, Mr. Chairman.

Senator HOLLINGS. Thank you both.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

POLICY PRIORITIES

Question: What are the FCC's top priorities for the coming year?

Answer: The FCC has promulgated five overriding policy goals: (1) To encourage a competitive, innovative, and excellent American communications infrastructure; (2) To provide effective and adaptive regulation; (3) To promote efficient and innovative radio frequency spectrum management; (4) To promote U.S. international communications and competitiveness interests; and (5) To provide excellent, timely, and courteous service to the public. Accordingly, our specific 1990 programs and policy initiatives all aim at accomplishing these goals.

Major policy priorities for 1990 include timely completion of our Congressionally mandated report regarding cable television, and associated proceedings on effective competition in video services markets and cable television service by co-located telephone companies. In addition, the FCC plans to complete important common carrier communications proceedings involving the instituting of local exchange company "price caps," long-distance phone service regulation, and the allowable rate of return for interstate telephone operations. We plan to conclude proceedings regarding the judicial sustainability of Congress' 24-hour ban on indecent broadcasts, as well as a review of the FCC's comparative licensing procedures and the standards governing the character of broadcast licensees. Working toward establishment of the criteria for appraising proposed U.S. high-definition television standards also constitutes a major FCC policy priority.

INTERNATIONAL COMPETITION

Question: The United States is clearly falling behind the rest of the world in its ability to compete internationally. The telecommunications marketplace is clearly an international marketplace with increasing competition. What do you feel should be done to improve U.S. competitiveness in the communications industry?

Answer: Promoting U.S. communications competitiveness constitutes a major, stated Federal Communications Commission (FCC) goal. Measures aimed at achieving that goal include continued aggressive pursuit of expanded communications market access abroad through trade discussions and negotiations (in which the FCC has participated and will continue to do so). Additionally, domestic regulatory and other impediments to competition need to be reexamined and removed, wherever possible, as an economically strong and competitive U.S. communications industry is our best guarantee of continued international competitiveness. Changes in current law regarding business investment in research and development, along the lines which the Administration has recommended, would also significantly improve U.S. communications industry competitiveness.

At present, the FCC is considering specific steps including removing any unwarranted regulation of AT&T, reform of radio spectrum management rules to encourage innovation, and changes in limits placed on new "information services" offered by Bell companies. In addition, special emphasis will be placed on U.S. market-related research and development commitments in conjunction with the selection of a high-definition television (HDTV) standard.

SPECTRUM POLICY

Question: The issue of spectrum use and management has become increasingly important. Europe and Japan are introducing new technologies, while the United States has almost no free spectrum available and has made little effort to plan for the future use of the spectrum. Are we now at a competitive disadvantage because of our spectrum policies? What can we do to improve this situation?

Answer: The more advanced and sophisticated a country's radio-based communications infrastructure, the greater the challenges presented when new services are proposed. The United States currently enjoys by far the most developed radio-based communications system: we have substantially more broadcast, common carrier and private mobile radio, satellite, public safety, governmental, and Federal radio spectrum users -- by any measure -- than anywhere else in the world. This intense and expanding reliance on the radio spectrum complicates new service introduction. At the same time, that usage generates almost incalculable benefits for our economy and society. It also provides a strong incentive for innovation that makes the most efficient use of this scarce national resource.

Three measures are critical. First, the FCC and National Telecommunications Information Agency (NTIA) need to continue to improve the efficiency and effectiveness with which they manage spectrum use, including the increased use of advanced computer-data processing equipment and techniques. Second, steps need to be taken to foster innovation --both to increase its incidence and to ensure that the prevailing regulatory system rewards, and does not penalize, those who undertake to innovate. Third, the legislation proposed by House Energy and Commerce Committee Chairman Dingell needs to be enacted. Chairman Dingell has proposed legislation that would require a systematic inventory of U.S. Government radio spectrum use, with a view toward making additional amounts of spectrum available to the private sector. Such a change would provide U.S. industry expanded opportunities which, in turn, would promote national competitiveness.

I am not aware of any systematic evidence demonstrating that the United States is currently at a competitive disadvantage due to our spectrum policies. However, unless we are prepared to make radio spectrum maximally and flexibly available to promote more efficient and innovative private sector uses, there is the possibility that such a disadvantage might develop. In this regard, the FCC soon will be reassessing its policies regarding proposed new and innovative uses of the spectrum. Additionally, the FCC and the NTIA, have significant initiatives underway aimed at ensuring that U.S. interests continue to be advanced by our national radio spectrum management programs and policies.

Question: We continue to hear a lot about the need to make people pay for the amount of spectrum that they use. The President has proposed a one-time spectrum auction that he believes would raise $3.4 billion. Others believe that we should have an annual spectrum fee that will generate more money in the long run because it can be collected every year. What do you think?

Answer: We support the President's auction proposal. Auctions would benefit the public in three important ways. First, they would significantly reduce the amount of private and public resources wasted in preparing and processing license applications. Second, auctions would reduce the time it takes to assign a license to the party who values it most and who, for that reason, has the greatest incentive to put it to good use. Finally, auctions would give the taxpayer a return for the valuable privilege conferred in a license.

CABLE AND MFJ

Question: The Committee is currently working on a bill to re-regulate the cable industry and a separate bill to lift the manufacturing restriction on the Bell Operating Companies. Both bills would shift significant regulatory responsibilities to the FCC. What additional resources would the FCC need in order to carry out its duties under these bills?

Answer: The magnitude of resources that would be required under various proposals to increase regulation of the cable television industry are heavily dependent on the specific areas and types of regulation involved. Structural types of regulations, i.e., ownership controls, can be implemented without significant resource implications if the restrictions involved are clear. Other types of rules, such as, for example, those that involve monitoring of technical developments (technical standards), accounting and financial information (financial disclosure reports), adjudication of community specific issues (economic impact, rate control, service standards, leased channel rules, technical performance, rate discrimination, etc.), are far more resource intensive and the total magnitude of the necessary resources are more directly related to the number of consumers or regulatees covered by the regulations.

While specific estimates as to resource requirements pertaining to various cable re-regulation bills have not yet been prepared, significant new resource requirements could well be involved. As much as 40 to 50 staff years of effort annually could be required if the Commission were required to become directly involved in the rate setting process. In 1975, prior to the deregulation of the cable industry and with an industry far smaller than exists today, the Commission's Cable Television Bureau had a staff of 90.

In certain key regards, such as the prevention of anticompetitive cross-subsidies, the bill lifting the manufacturing restrictions contains safeguards substantially similar to those already implemented and enforced by the FCC. To this extent, therefore, significant additional resources might not be required if the MFJ bill were to become law. Many other provisions do have resource impacts.

Question: In 1989, the Commission adopted a more liberal waiver policy for the "one-to-a-market" rule. Since that new policy has been in effect, the Commission apparently no longer requires applicants to demonstrate that the waiver would serve the public interest. All an applicant has to show is that the stations are in one of the top 25 markets and there are 30 or more separate broadcast stations in the market. Do you feel this limited test best serves the spirit of the Communications Act and the FCC's rules? Shouldn't applicants for a waiver have to make some additional showing prior to approval of a waiver?

Answer: I believe the rebuttable presumptions relating to the larger television market waivers, adopted through the rule making process, were proper and reflect a useful means of balancing the considerations involved. As a result, it should be possible to assure that there is abundant competition and diversity within these markets without impeding the benefits that may inure to the public from more efficient station operations. The public interest conclusions reached through the rule making process plus those that are evidenced in individual waiver proceedings should provide an adequate basis for action while avoiding the undesirable relitigation of general rule making conclusions. At the same time the procedure used will continue to assure that the relevant market conditions are reviewed individually and that there is an opportunity for industry and public input before final decisions are made.

Question: In comparative renewal proceedings the Commission has restricted the amounts any party can receive in a settlement to out-of-pocket expenses. As a result, the number of competing applications filed has dropped significantly. Why hasn't the Commission applied the same restriction to applications for new broadcast licenses?

Answer: The Commission has in progress an internal review of the comparative new application procedures and rules to assure that this process uses our resources efficiently, results in timely decision making, and is not subject to abuse. Proposals relating to settlement limitations of the same type that have been applied in the comparative renewal context are being considered as part of this review.

Question: The Commission currently has a pending proceeding on children's television which would examine, among other things, program length commercials. Is completion of this proceeding a priority of the Commission's?

Answer: Issues relating to commercial time limits in the context of children's television are pending in the proceeding recommended by the Commission's Further Notice of Proposed Rule Making/Notice of Inquiry in MM Docket 83-670, 2 FCC Rcd 6822 (1987). With passage of the Children's

Television Act of 1988, work on that proceeding was deferred and the Commission began to focus on the new Commission proceeding that would be required under that Act. While that Act did not finally become law, additional legislative proposals have been under active consideration that would resolve a number of the issues that are also pending before the Commission. Given the delay, however, the Commission has again begun work on this item.

Question: The Radio and Television News Directors Association has filed petitions seeking the repeal of the personal attack, political editorial and ballot issue rules, which were outgrowths of the Fairness Doctrine. What is the status of these petitions?

Answer: The petition is under review and the Commission's options are being considered. However, at this point no decisions have been made as to how the Commission should proceed.

ATTRIBUTION

Question: Do you believe that the FCC's current attribution rules accurately account for persons who own or control media outlets? Do you believe the Commission should reexamine this matter?

Answer: While I am not aware of any significant problems that have resulted from the current ownership attribution rules, I do want to end any "sham" in the administration of these rules. The Federal Communications Bar Association (FCBA), however, has suggested that it would be desirable for the Commission to re-examine the so-called ANAX policy that involves one particular application of these rules in the comparative hearing process. Under the ANAX policy only attributable owners, regardless of equity contributions, are given positive credit under the "integration of ownership and management" comparative criterion. The FCBA proposal will be carefully considered.

TV-MARTI

Question: Section 243 of the Foreign Relations Authorization Act for fiscal years 1990 and 1991 authorizes television broadcasting to Cuba. TV-Marti is to be a government station but the FCC, instead of the NTIA is to assign the frequency. As you know, that was not part of my original TV-Marti Bill, but was a compromise reached in the conference with the House. Does the Commission envision any difficulty in assigning the frequency?

Answer: UHF frequencies are not suitable for this facility and no suitable unused VHF frequencies are available. There is an existing station on channel 13 and an interim agreement has been worked out between the Commission, USIA, and the station to use channel 13 on a part time basis to prove out the system. Negotiations involving the USIA and channel 13 to work out a longer term solution are in progress. This might involve exchanging channel 13 for another VHF channel on which there is an unbuilt permittee. This, however, has not been fully worked out.

Question: Section 243 also requires the FCC to continually monitor and periodically report to the appropriate Committees of the Congress on interference by TV-Marti to domestic broadcast licenses. How is the FCC planning to implement this requirement and at what cost?

Answer: The Commission will establish three monitoring sites in Florida, at Loggerhead Key, Marathon, and Sugarloaf Key. From these locations the FCC will observe the operations of Cuban broadcast stations. We can detect changes in the Cuban broadcast signals and determine if they are causing interference to U.S. stations. We will also conduct monitoring using mobile units to determine if the transmissions of TV-Marti are interfering with any U.S. broadcasters. The Commission will make periodic reports to Congress on the monitoring.

To establish a monitoring system and verify complaints of interference will cost $11,000 during the testing phase and $1.2 million at the start of the operations phase. Recurring costs will be $170,000 a year.

Question: **Hypothetically, how long will interference occur before the FCC sees it necessary to stop TV Marti from operating?**

Answer: Should TV Marti cause significant interference, it most likely will happen somewhere in a 200 square mile area beginning about 50 miles south of Tampa. If TV Marti were broadcasting more than 12 hours a day, it should not take the FCC more than a day or two to verify that TV Marti is causing interference and order remedial steps or the facility's shutdown. During the 90-day test period TV Marti will only be on the air three hours per day. Because of this shorter broadcast day, it might take the FCC a little longer to verify and interference and take appropriate steps.

Question: **If the FCC makes such a determination, what will it do to ensure TV Marti can broadcast as soon as possible?**

Answer: As soon as VOA makes corrections, the FCC would verify the interference has been eliminated and TV Marti may continue operations.

Question: **What plans does the FCC have for its new responsibility of monitoring Cuban interference with U.S. broadcasters on a regular basis?**

Answer: The FCC plans to continuously monitor the radio and TV signals coming out of Cuba which might cause interference to U.S. broadcasters. The FCC will do this from three locations. This will allow us to confirm, using direction finding techniques, that the interfering signals are coming out of Cuba, and that the Cubans have raised the power level of their signals. To effect this plan, VOA and the FCC will complete an agreement whereby VOA will reimburse the FCC $ 1.2 million to set up this monitoring system.

Question: **Does the FCC realize that this committee wants to be kept closely informed on any potential interference issues regarding TV Marti and FCC plans to eliminate it?**

Answer: In the TV Marti legislation, Congress instructed the FCC to make periodic reports on TV Marti interference to the House Committee on Foreign Affairs, the Senate Committee on Commerce, Science and Transportation, the House Committee on Energy and Commerce, and the Senate Committee on Foreign Relations. The FCC will also submit reports to the Senate Committee on Appropriations.

LOSS OF REVENUE

Question: **The justification states that the budget shortfall in fiscal 1989 caused a $52,000,000 loss in federal tax receipts. Since the number of full-time equivalents is expected to decline by 15 in 1990, what is the expected revenue loss in 1990? How much additional revenue do we recover by the additional 28 FTE requested for 1991?**

Answer: The first point to note in addressing this question is that we are unable to estimate the expected revenue loss associated with a particular year, including 1990. In none of our previous estimates of lost tax receipts have we allocated the total losses to individual years. We were only able to estimate the present value of the total loss. The reason for this is that we have data on the total license value, which represents the present value of the stream of net profits associated with the license, but we do not have information about annual profits associated with the license. If profits were likely to be constant each year, it would be easy to go from total license value to annual profits. But they are not constant. In the early years most new licensees incur losses because of start up costs and a limited customer base. In later years costs tend to be lower and revenues greater.

The second point is that it is very difficult to associate relatively small changes in agency-wide staffing with changes in the speed of license processing, which in turn can be associated with changes in the present value of federal tax revenues. In our previous estimates of tax revenue loss we considered budget changes five to ten times as large as the ones considered here. Our $52 million estimate of federal tax losses was based on an anticipated budget reduction of approximately $5 million in FY 1989. A reduction of 15 full-time equivalents (FTE) represents a budget cut of about $495,000, assuming an average annual cost of $33,000 per FTE. This is less than 10% of the FY 1989 budget shortfall. Similarly, an addition of 28 FTE is equivalent to a budget increase of about $924,000, or about 18% of the $5 million cut in FY 1989.

Question: Please provide greater elaboration on how FCC estimates that delays in processing TV, FM, and cellular applications will result in a loss of $52 million in federal tax revenue.

a) Since there has always been a time element associated with application processing, at what point does the normal processing time become a processing "delay?"

b) Does not the normal processing time that an applicant would expect to encounter also entail a "loss" in federal tax revenue?

Answer: a) Our estimates of lost tax revenue were based on increases in license processing time, not the absolute time. The term "delay" used in our discussions means the increase in time to process a license under a specified budget reduction compared to the time it would take with no budget shortfall.

b) Yes, "normal processing time" entails a "loss" in federal revenue to the extent it is feasible to reduce it. Any reduction in license processing time would increase the present value of federal tax revenues. The benefit of such increased speed of license processing would need to be compared to the cost of achieving it.

RULES AND REGULATIONS

Question: According to Page 15 of the justifications, FCC spent nothing in 1989, and plans to spend nothing in 1990 and 1991 for the printing of rules and regulations. Is the FCC no longer a regulatory body?

Answer: The Commission no longer maintains a printing account to reproduce copies of Rules and Regulations. Instead, the Commission provides updated copies of the Code of Federal Regulations to all Bureaus and Offices requiring this information. The FCC Record has been substituted for the old rules and regulations format. It is accessible in print as well as "on line" electronically through the Office of the Secretary for the Commission to all interested parties.

RIDERS IN FCC'S APPROPRIATION

Question: Over the last several years the FCC's appropriation has contained 3 riders that are once again proposed to be deleted. The first rider maintains the minority and women ownership of broadcast licensees. The second prohibits the swapping the VHF channel assignments by public television stations. The other maintains the Commission cross-ownership rules.

Mr. Sikes, the Department of Justice is going to court to overturn the minority ownership policy, but what is the Commission's stance on swaps and cross ownership?

Answer: The Commission is now, and has been for some time, prohibited from using appropriated funds to diminish the number of VHF channel assignments reserved for noncommercial educational television stations in the Television Table of Assignments. Following the adoption of this limitation, the Commission terminated the proceeding in Docket 85-41, which relates to channel exchanges. In doing so the Commission stated: "Consistent with the letter and spirit of the appropriations legislation, the Commission will terminate this proceeding, and will take no action which would result in diminution of the number of VHF channel assignments reserved for noncommercial educational use." Memoradum Opinion and Order in MM Docket 85-41, 3 FCC Rcd 2517 (1988). No other changes of the type proposed in Docket 85-41 have been proposed or are under consideration by the Commission.

The Commission is also prohibited from using appropriated funds to repeal, retroactively apply changes in, or to begin or continue a reexamination of the rules concerning newspaper-broadcast cross-ownership. No funds are being used to repeal, retroactively apply changes in, or to begin or continue a reexamination of these rules. No proposals for changes in these rules are pending and no consideration is being given to changing these rules.

Question: According to page 45 of the justifications, during 1989 the FCC released a Report on cross-ownership that included a relaxed standard for granting waivers of the rule in the top 25 television markets. How did you do that when the riders prohibited any re-examination of the cross-ownership rules and policies?

Answer: The relevant appropriations acts state, inter alia, that "none of the funds appropriated by the Act may be used to repeal, to retroactively apply changes in, or to begin or continue a reexamination of the rules and the policies established to administer such rules of the Federal Communications Commission as set forth at section 73.3555(c) of title 47 of the Code of Federal Regulations." See, e.g., Departments of Commerce, Justice & State, the Judiciary and Related Agencies Appropriations Act, 1989, Pub. L. No. 100-459, 102 Stat. 2216 (1988); Departments of Commerce, Justice, & State, the Judiciary and Related Agencies Appropriations Act, 1990, Pub. L. No. 101-162, 103 Stat. 1020 (1989). Section 73.3555(c) regulates cross-ownership between broadcast stations and daily newspapers. The report on cross-ownership referenced on page 45 of the justifications is the Commission's Second Report and Order in MM Docket 87-7, 4 FCC Rcd 1741 (1989), recon. denied, 4 FCC Rcd 6489 (1989). This proceeding did not address the rules relating to newspaper cross-ownership and no changes in these rules were adopted in the Second Report and Order.

RELOCATION OF FCC

Question: The FCC is scheduled to move in fiscal year 1992. Has a specific location been identified for the Commission to move?

Answer: No, we are still working with GSA.

Question: What is the total cost of the move?

Answer: We estimate that the total cost of this effort will be about $10 million. This is the total cost. We are not sure at this time which part will be paid by GSA and by the FCC. Most of the costs will be in FY 1992 when we are scheduled to move.

Question: How much space will the FCC occupy at the new location compared to the present locations?

Answer: We currently occupy 294,566 square feet. The consolidation will reduce the footage to 260,416 square feet, resulting in a savings of 34,150 square feet.

Question: In the 1991 Budget, $3,400,000 is requested for systems furniture. This is to enable the Commission to average 135 square feet per employee. If a new location is not yet known, how can the FCC be certain that systems furniture ordered in FY 1991 will meet the needs at the new location in 1992?

Answer: The systems furniture requirement is based on space allocations to accommodate a predetermined number of workstations, assuming the Commission will have the personnel levels similar to the FY 1991 proposed levels in the budget.

Question: What does FCC plan to do with the existing office furniture after moving to a new location?

Answer: Only some staff will utilize systems furniture. Senior staff will continue to utilize current furniture. Excess furniture will be returned to GSA for reissue to other government agencies, as needed.

Question: When will we really see reduced rent payments to recoup the cost of the furniture?

Answer: GSA estimates that a total savings of $28 million would be realized over the course of a 20 year lease. Exactly when savings would occur will depend on several factors, e.g., the occupancy date.

SOUTHERN CALIIFORNIA RAPID TRANSIT DISTRICT

Question: Mr. Sikes, as I believe you know, the Southern California Rapid Transit District ("SCRTD") faces an urgent public safety need for private radio channels. They cannot begin the Long Beach-Los Angeles Light Rail Service in July of 1990 without a suitable radio system, by order of the California Public Utilities Commission.

I understand that the FCC recognized SCRTD's compelling need and assigned it five channels in December, but an interference problem prevents SCRTD from using the channels. They have made an expedited request for ten vacant channels.

Without seeking any comment with respect to what is now a restricted proceeding, can you please tell us the status of the Rapid Transit District's request?

Answer: The Commission is sensitive to the unique circumstances confronting local governments in their efforts to implement complex and costly radio systems that will be utilized to provide public services. In recognition of these special needs, the Commission's Rules permit extended construction periods of up to three years instead of the usual one year for financing and construction of these large radio facilities.

Without going into the merits of this particular case, it may be helpful to provide a brief background. The Southern California Rapid Transit District originally had ten channels for use by its existing bus fleet and for future use by its new light rail system. The Transit District, however, failed to construct its system within the three year extended implementation period, which expired in November 1986. In view of the Transit District's failure to use its ten channels, in January 1988 the Commission advised the Transit District that its channels would be reassigned to other Los Angeles area applicants. The Transit District did not aggressively pursue an appeal, and the Commission reassigned the channels.

In August 1989, the Transit District, citing an urgent need for radio facilities, petitioned the Commission for replacement spectrum. Recognizing the extraordinary circumstances, in December 1989, the Commission waived its application procedures to permit the Transit District to obtain channels recently recovered by the Commission from a bankrupt licensee that was not operating its radio system. Southern California Gas Company has also claimed a right to these channels, and has asked us to reconsider our decision. Specifically, the Trustee in Bankruptcy asserts that the Commission licenses are an asset of the bankrupt estate. The Trustee has proposed to sell the licenses for the channels to Southern California Gas Company. Two of the Commission's recognized frequency coordinators, the National Association of Business and Educational Radio, Inc. (NABER) and the Special Industrial Radio Service Association, Inc. (SIRSA), and ARINC, another licensee in the area, have also filed comments pertaining to the Commission's waiver of its normal application procedures in this case.

The disposition of the licensing authority for the use of these channels is currently under review. We plan to give this matter expedited treatment, but we cannot proceed prior to the expiration of the mandatory opposition and reply comment periods.

PROGRAM ASSISTANCE

Question: **Page 16 of the Budget requests $1.4 million for program assistance, an increase of over 800 percent since FY 1989. Please provide additional detail justifying this significant increase over the past two years.**

Answer: The most significant increase is for the cost of having the Department of Agriculture's National Finance Center (NFC) provide the Commission with total financial cross-servicing at an estimated cost of $508,000 over a two-year period (FY 1990-FY 1991). This interagency agreement will bring the Commission into compliance with Office of Management and Budget (OMB) and General Accounting Office (GAO) requirements for an integrated agency financial system. The only alternative to this option would be the design of new in-house automated systems for our payroll and financial management activities. This alternative would be much less cost effective in terms of dollars and staff productivity. Utilization of NFC resources will also enable the Commission to implement the new fee schedule and maintain the fee program with minimum operational costs to the Commission.

An additional $300,000 is for continued funding of consolidation costs to be incurred in FY 1991. The $300,000 dedicated to the consolidation effort is essential if we are to have the expertise to relocate three headquarters facilities into a central location. These funds will be utilized by the General Services Administration (GSA) to provide enhanced planning and design of all telecommunications and automation networking requirements within the new building, as well as special architectural analysis to provide design criteria for such elements as reference rooms, libraries, and the Communications Center. Since our space is so severely restricted under GSA guidelines, this degree of analysis and planning is essential in order that the limited space available be utilized to the optimum benefit of the Commission and the public it serves.

$300,000 is requested for HDTV studies/analysis. These funds will be used to develop a new TV channel assignment table for HDTV in the United States. The development of this new table must take into consideration spectrum availability, co-channel station spacing, population served, preservation of existing stations and a number of other technical and policy questions. This type of study is essential if the U.S. economy is to benefit from this new technology.

$50,000 is requested for minimal level participation in an interagency agreement with the National Communications System (NCS) concerning emergency operations; $40,000 provides Bureau of Census data to the Common Carrier Activity; $50,000 is requested to provide investigative support to the Inspector General. The remainder of this account provides support for our Older Americans Program, participation in a Rutgers University telecommunications study, and miscellaneous interagency agreements.

EQUIPMENT

Question: **Pages 17-18 of the Budget request almost $6 million for "Object Class 31", including technical equipment, ADP equipment, and office equipment and furnishings. This represents an increase of over 500 percent since FY 1989. Please provide additional detail justifying this significant increase over the past two years. Can any of these equipment purchases be spread out to future years, or are further increases expected in the future?**

Answer: The FY 1990 total equipment allocations reflect an increase of approximately 67% over FY 1989 in an attempt to begin to rebuild our critical technical equipment inventory. These funds will provide the Field Operations and Engineering and Technology Activities with replacement technical equipment required for basic mission accomplishment. Obsolete, unreliable or inoperative equipment must be replaced to maintain current capability. The majority of this equipment should have been replaced in prior years, but was deferred because of funding shortages to avoid furloughs.

In FY 1991 the increases for technical equipment will not only continue to fund replacement equipment, but will attempt to provide equipment which will extend current capabilities to meet growth in the use of telecommunications facilities and services by the private sector. Without additional funding to support technical equipment requirements in FY 1991 the Commission will be unable to respond to many interference complaints in a timely and effective manner, some involving safety of life and property.

Without equipment upgrades, the fixed monitoring network may be unable to quickly and reliably locate vessels and aircraft in distress, or be unable to reliably monitor user compliance levels. Both fixed stations and mobile units will have limited capability to monitor UHF spectrum above 800 MHz (land mobile, cellular). The FCC laboratory will be unable to keep pace with the evolution of telecommunications equipment and therefore be unable to improve testing productivity.

Without the requested funds for ADP equipment, the Commission will be unable to replace the outdated and obsolete FCC mainframe computer system (Honeywell) which will result in unacceptable service interruptions due to equipment failures and substantial increases in hardware/software maintenance costs. The Commission will be unable to replace aging office automation network equipment and implement improved software systems (modern word processing, graphics, etc.). With inadequate funds the Commission cannot implement new IRM technologies to meet critical requirements such as optical imaging and electronic filing.

The most significant increase, approximately 56% of the total FY 1991 request, is for the systems furniture required by GSA to accommodate our space restrictions in the proposed new facility. The systems furniture is essential if the Commission is going to be able to accommodate the total number of Headquarters employees in the space available. GSA's mandate of 130 to 135 square feet per workstation will not allow for the traditional configuration/compliment of office equipment for each employee. The proposal for the use of systems furniture was initiated by GSA and was not an independent decision of the Commission. The systems furniture must be purchased one year in advance of the actual relocation. Therefore, total funding for this requirement must be available in FY 1991 if the Commission is to relocate in FY 1992.

Further increases to our technical and ADP equipment accounts are expected. However, we have developed multi-year plans (5) for cyclical replacement of ADP and technical equipment in order to maintain our operating integrity and reduce budgetary impact.

RANDOM LOTTERY

Question: The Commission has proposed implementing a random lottery procedure (random selection) for new AM, FM, and television stations in lieu of the present comparative hearing process.

a. What is the current status of this proposal?

b. If implemented, what is the estimated impact on reducing the backlog of applications for new stations?

c. How will the workload of attorneys, engineers, and Administrative Law Judges be affected by the proposed procedure?

d. Will the reduction in hearings before ALJs be offset by increased formal complaints by lottery losers?

Answer: The comments responsive to the Commission's Notice of Proposed Rule making have been received and the record is being reviewed. The Commission has received suggestions from the Federal Communications Bar Association and from others as to alternative changes in the existing process that might expedite final decisions. These suggestions are also being actively reviewed. It is my personal view that the Commission not go forward with this proposal. Therefore, I believe that any discussion of implementation would be hypothetical.

EQUAL EMPLOYMENT OPPORTUNITY

Question: The Cable Communications Policy Act of 1984 requires the Commission to conduct a continuing program review which will ensure Equal Employment Opportunity (EEO) in every aspect of cable system employment.

a. How much has this program cost FCC, in terms of staff years and dollars?

Answer: Since the enactment of the Cable Communications Policy Act of 1984, the Commission has expended a total of approximately 63 staff years and approximately $2,400,000 in connection with the Cable EEO program.

Question: If the Cable Act is revised to require re-regulation of cable rates by the FCC, as a number of current bills propose, what would be the increased cost to the Commission?

Answer: Re-regulation of cable rates at the municipal and state levels of government would not have any significant resource implications for the Commission unless the Commission played a stronger role in establishing accounting or other standards to facilitate the process. The return of this task to local government would, however, have significant resource implications for the local governmental agencies involved.

Involvement by the Commission as a rate setting agency itself would have major resource implications, requiring the Commission to acquire additional computer capacity as well as make an annual investment of between 40 and 50 workyears of staff effort. These estimated resource requirments could, however, be substantially higher or lower depending on the portion of the industry subject to regulation and the specific nature of the process to be implemented.

Question: Page 46 of the budget request lists as a Mass Media Bureau objective the conduct of on-site investigations of allegations of flagrant violations of Commission rules and policies. The accomplishments for the year show 196 investigations, but no on-site investigations.

a. Was lack of funding a reason for no on-site investigations being conducted, or were the nature of the investigations such that on-site investigations were not needed?

b. Had additional funding been available, would it have been likely that some on-site investigations might have been conducted?

Answer: Funding shortages in recent years have necessitated changes in the methods employed to conduct investigations. In place of expensive on-site investigations, we conduct most investigations by telephone and mail, supplementing the results with on-site investigations by field office personnel. We have found these procedures to be adequate in most cases. Nevertheless, there are occasions when on-site investigations by Washington based staff would be most desirable and it is important that we have the capacity, and be known to have the capacity, to verify written submissions by direct observations and to send investigators to the actual locations of witnesses, documents, and licensed facilities. We estimate that there may be as many as ten such occasions per year.

Question: Page 59 of the budget estimate requests additional travel funding of $10,000 to increase, from 10 to 22, the number of on-site EEO audits of cable television systems. Please provide the rationale for increasing the

number of on-site EEO audits while not conducting any on-site investigations for flagrant violations of FCC rules and policies.

Answer: Specific statutory provisions relating to equal employment opportunities in the cable television industry were adopted as part of the Cable Communications Policy Act of 1984. The relevant legislative history states:

> In order to ensure compliance with this section, the Commission is directed to annually review the employment profiles of reporting employment units, including random on-site audits of some reporting units. These audits will provide the Commission with a basis for determining whether employment profiles are accurately reported on classification and employee responsibilites are accurately defined.

House Committee on Energy and Commerce, H.R. Rep. No. 934, 98th Cong., 2nd Sess. (1984). See also 130 Cong. Rec. S14,286 (1984).

The proposed audit activity is intended to comport with this direction in the context of a vastly expanded cable television industry and to provide a measure of assurance that information reported to the Commission pursuant to the provision of Section 634 of the Cable Act is accurate. It is not intended to indicate that on-site investigations of flagrant violations of FCC rules and policies should receive a lower priority.

PRICE CAPS

Question: Chairman Sikes, you have announced that you intend to look at implementing a price cap plan for the local telephone companies. You say in your statement that the FCC does not have enough money to do the things it is supposed to do right now. How are you going to be able to implement two regulatory schemes, price caps and rate of return, within your proposed budget?

Answer: I believe the resources within our FY 1991 budget request will allow us to efficiently implement our price cap plan for the local telephone companies. However, my goal is to upgrade overall the resources in the common carrier area. The Commission's request for FY 1991 includes additional staff resources to begin these improvements. Our 1992 request will include additional resources necessary to regulate effectively in this area.

Question: The FCC recently adopted a new system of regulating AT&T known as price caps, which sets maximum limits on the prices AT&T may charge for telecommunications services. Local exchange carriers (LECs) are also planned to be covered by price caps.

a. Has a formal program been established to monitor the performance of AT&T and the LECs under price caps?

Answer: The Commission's decision to implement price cap regulation for AT&T included an extensive review of existing and new monitoring devices that would be used to ensure that the price cap system would produce rates that are just, reasonable, and nondiscriminatory, and that would guard against service quality degradation. For the most part, the Commission found that existing monitoring devices could be employed without modification. For example, the Commission's automated reporting system, ARMIS, collects information on revenues, expenses, investment, reserves, and taxes. This data is used to track the allocation of costs between regulated and nonregulated activities and between intrastate and interstate jurisdictions. ARMIS also collects data on switched messages, conversation minutes, and access minutes. In addition to ARMIS, the Form 492 data collection requires AT&T to report, on a total interstate basis, revenues, investment, expenses, and earned rate of return. The Commission also receives semi-annual reports from AT&T measuring service quality over AT&T's digital and analog facilities, as well as Section 214 applications that provide AT&T's

construction plans and demand forecasts. An additional service quality monitoring report is also required, focusing on service quality in non-equal access areas. The Commission's complaint process is also a source of information on AT&T service quality. Finally, the price cap system enables the Commission to track price levels on an aggregate basis.

For the LECs, the Commission similarly has proposed to employ its ARMIS and Form 492 reporting mechanisms to monitor LEC performance under price cap regulation. In addition, the Commission proposed to expand its current service quality monitoring system for LECs to include the following measures of the quality of interstate access: (1) percentage of time a carrier installs service by the quoted installation date; (2) the number of hours necessary to complete a repair; (3) a "network blocking" percentage, i.e., a measure of calls that receive a "no circuit" condition; (4) formal FCC complaints per 1,000 access lines; (5) post-dial delay; (6) transmission quality; and (7) switch downtime. The Commission proposed to receive service quality reports quarterly and will closely monitor its established complaint processes.

Under the AT&T plan and the LEC proposal, the price cap system would be completely reviewed during the fourth year of the plan, or earlier if a comprehensive review were warranted on the basis of ongoing monitoring of carrier activities. The performance review will consider all available measures of carrier and market performance, including, but not limited to, actual prices, achieved rate of return, quality of service, and technological progressiveness.

b. Question: **What is the estimated dollar cost, in terms of staff years and dollars, to monitor AT&T's and the LECs' performance under price caps?**

Answer: Monitoring of AT&T's performance under price caps will largely be conducted pursuant to activities that the Commission already undertakes. The addition of a service quality report for non-equal access areas served by AT&T expands only slightly the existing service quality monitoring effort. Thus, implementing price cap regulation for AT&T does not increase the Commission's administrative costs.

With respect to proposed monitoring of the LECs' performance under price caps, most of the monitoring activities that would be employed are already in use under the rate of return system. The service quality monitoring proposals would expand the number of LECs reporting to the Commission and require an incremental increase in Commission staff time required to review and maintain a larger number of reports. The increased amount of staff time devoted to this process appears manageable from a resource perspective.

ARMIS

Question: **Prior year budget estimates have contained requests for funding relating to development of FCC's Automated Record Management Information System (ARMIS). Is the ARMIS system now fully developed and in operation? If not, when will it be in full operation, and how much more money, if any, will be needed?**

Answer: The ARMIS system has been implemented and has supported numerous investigations and data requests related to the regulation of communications common carriers, including the review of the 1989 Access Tariff filings, the verification of regulated and nonregulated inside wire expenses and overhead costs, and verification of local exchange carrier joint cost attestations audits. Funding of $90,000, adjusted for inflation as needed, is required in order to maintain the existing level of review of tariff filings and joint cost and separations compliance. Such funding is extraordinarily cost-effective because our review thus far has resulted in more than one billion dollars in savings to telephone customers through the disallowance of potential charges.

Although ARMIS is operational, funding will be needed for maintenance and replacement of equipment, and to upgrade hardware and software. Personal computers will be replaced as they become a repair burden, in order to reduce maintenance costs and lessen the risk of productivity losses due to frequent breakdowns. As the staff's review of ARMIS data increases in volume and complexity, hardware and software upgrades will be necessary for the computers to handle more involved computational processes. For example, the system now contains sufficient data to make trend analyses available for use in reviewing the 1990 Access Tariffs due to be filed on April 2. In addition, state regulatory commissions have expressed great interest in accessing ARMIS, and in working with the FCC on further enhancements.

AUDITS

Question: Page 62 of the budget estimate cites 21 audits of telephone company accounting systems having been conducted during FY 1989, while an additional $10,000 in travel money is requested on page 70 to support 2 additional audits for 1991. Given the reduction in staffing in the Accounting and Audits Division from 65 to 61 since 1989, how many audits can be expected during 1991?

Answer: The Accounting and Audits Division overall has suffered a loss of staffing from 65 to 61 since 1989. However, we have tried to preserve our audit staff despite the reduction in overall staffing. We had 15 auditors in 1989 and have 14 auditors currently on board. The 21 audits that were conducted in FY 1989 were a combination of on-site "field audits" and reviews of independent CPA attestation audits. During FY 1991 we anticipate that with the additional $10,000 in travel funds we could conduct 13 on-site "field audits" and approximately 14 reviews of independent CPA attestation audits for a total of 27 audits.

Question: FCC continues to request additional staff to handle informal and formal complaints as an outgrowth of "deregulation" (page 68). The justification for these increases is that disputes formerly handled through formal regulatory proceedings are now being handled as "complaints."

a. To what extent can the need for more staff to handle informal and formal complaints be handled through transfers of staff no longer needed to work on formal regulatory proceedings?

Answer: The implication of this question is that there are no longer formal regulatory proceedings being done. That is not true. There are numerous proceedings of major public interest importance being pursued that demand significant efforts by our Common Carrier Bureau staff. Since FY 1985, the FCC staff allocated to common carrier activities has dropped from 330 FTEs to 308 FTEs, while industry revenues have increased dramatically. During this same time period, the workload has increased in most categories. For example, the number of cellular applications filed grew from 31,637 in 1986 to over 101,687 in 1988, the number of tariff pages for review grew from 71,464 in 1985 to 178,972 in 1989, and mobile applications grew from 2,819 in 1987 to 6,225 in 1989. FTEs have been shifted among organizations to try to respond to the most pressing increases in workload without critically undermining other programs. For example, during FY 1989, prior to submission of our FY 1991 budget request, 4 FTEs were reallocated to the Enforcement Division from other common carrier activity organizations to assist in responding to formal and informal complaints. Despite that reallocation, an additional 4 FTEs are required as requested in the budget document. As stated on page 68 of the budget document, in addition to the increases in both the volume and the complexity of work, the Enforcement Division has also been severely impacted by enactment of the 1988 FCC Authorization Act. It requires the Commission to issue final, appealable orders in certain tariff-related complaint proceedings within 12 months after a complaint is filed. Further, the Act prohibits the Commission from delegating authority to the Bureau to decide these cases as has been the norm in the past. The impact on the Enforcement Division has been severe, and additional FTEs are required.

b. Why does the FCC expect a significant increase in formal complaints from the implementation of price caps regulation?

Answer: The Commission does not expect implementation of price cap regulation to result in a significant increase in formal complaints.

Question: On pages 69-70 of the budget estimate, FCC is requesting $80,000 for computer equipment, software, supplies and furniture to provide personal computer capabilites to process an increasing technical workload. To what extent will the personal computers benefit the Common Carrier Bureau in monitoring the effects of price caps?

Answer: Personal computers are necessary in the monitoring of price caps to (1) track the Price Cap Index and Actual Price Index to determine whether rates meet price cap guidelines; (2) provide the ability to compare rates under price caps to hypothetical rates under rate of return; and, (3) allow us to conduct ongoing studies of LEC productivity.

ENGINEERING AND TECHNOLOGY

Question: On page 107 of the justifications, $612,000 is requested to fund advanced/high definition television (HDTV) studies. What are the estimated costs to continue these studies into future years beyond FY 1991?

Answer: The FCC staff is conducting studies in a number of areas, including studies of spectrum availability, interference susceptibility of television receivers, and planning factors for implementation of HDTV broadcasting. These studies support a Commission rulemaking proceeding that is examining all aspects of HDTV. Eventually, this proceeding will result in policies and appropriate rules for HDTV services, including television channel allotment tables and technical standards for broadcast transmission and reception. Upon completion of the study efforts and the rulemaking proceeding, the Commission will undertake licensing of HDTV broadcast stations and authorization of equipment marketed for HDTV.

We expect Commission HDTV-related efforts in FY 1991 through FY 1993 to be very intensive. During those years, testing of proponent systems will be conducted, selection of an HDTV system (or systems) should take place, development of transmission and equipment standards should be completed, channel allotment plans will be developed, and implementation of HDTV broadcasting should be initiated. Additional personnel and equipment will be required. For FY 1991, we have requested personnel positions and computing capability to support the Commission's program, funds for technical equipment that will enable simulation studies of the interference effects of proposed HDTV systems, and funds to begin developing a new TV channel allotment scheme by applying sophisticated decision-making techniques. For FY 1992, we anticipate requesting at least two more engineering positions to assist in technical analyses and standards development. In addition, we will request about $550,000 for technical equipment, which will be used in technical studies related to spectrum allotment planning factors, interference related tests of prototype HDTV systems, and subjective tests needed to help the Commission select HDTV systems for implementation. For FY 1993, we anticipate requesting about $200,000 for technical equipment to purchase system-specific video equipment, based on Commission decisions regarding systems chosen for implementation, which will be used in studies to finalize plans for implementation of advanced television services and to develop test procedures for the FCC equipment authorization program.

By FY 1994, planning for HDTV services should be largely completed and implementation should be underway. Resources will be applied to station licensing, equipment authorization, and evaluation of the new services. We do not anticipate a need for additional personnel for these activities. However, we believe that about $100,000 will be needed in each of FY 1994 and FY 1995 to purchase measurement equipment for evaluation studies and to purchase test equipment required in the equipment authorization program.

ACCIDENT COMPENSATION

Question: In 1989 the Commission spent $109,000 for accident compensation. While this is a minor amount, the estimates forecast a 60 percent increase

to $174,000 in 1991. Is the FCC an unsafe workplace or what is causing this increase?

Answer: Workers' compensation costs are cumulative in nature. That is, injuries occurring in previous years are charged to agencies in the reporting year in which the Department of Labor makes payment on that claim. Severe injuries and subsequent long-term compensation awards by the Office of Workers' Compensation Programs (OWCP) to FCC employees in past years have created an on-going expense for the Commission. As new injuries occur, the the accident compensation account must be increased. Fifty-eight percent of FCC accident compensation costs for FY 1991 ($101,564) are from injuries which occurred before FY 1984.

As reported, accident compensation costs in FY 1989 were $109,000; in FY 1990 they increased to $144,000; and in FY 1991 they further increased to $174,000. The increase in accident compensation from FY 1989 to FY 1990 ($35,000) was due in large part to an increment in compensation payments by OWCP to an employee injured in FY 1982 and to one severe injury that occurred during FY 1988. Similarly, the increase in accident compensation from FY 1990 to FY 1991 ($30,000) was due in large part to increases in compensation payments for existing claims and to one severe injury to an employee in FY 1989. Rather than reflecting an unsafe workplace, these figures illustrate the substantial impact that just one serious injury has on the Commission's small accident compensation account.

It is significant to note, however, that our lost time injury rate has declined 41% since FY 1987. Further, projected accident compensation costs for the first quarter of FY 1992 are 24% less than those for the first quarter of FY 1991. (The OWCP fiscal year runs from July through June.) The Commission Safety and Occupational Health Program aggressively investigates unsafe or unhealthful working conditions, provides training to employees and supervisors, and closely monitors workers' compensation claims.

In response to the rise in Commission accident compensation costs, we have also worked with OWCP to rehabilitate several long-term disability claimants. To date, we have successfully rehabilitated one of our employees to full time employment, found two employees who cannot be rehabilitated, and have one employee who has recently recovered and will not appear on future chargeback listings. Additional efforts are in progress to return other employees to duty and further reduce our accident compensation costs.

TRAVEL

Question: It is appreciated that the Commission's budget has been constrained over the last few years and that travel and other discretionary costs were reduced to avoid furloughing staff. However, why does travel increase by over $476,000, or 72 percent over the 1989 level, and particularly the international travel increase of $100,000 over 1989?

Answer: The increases over the FY 1989 level represent attempts to return to adequate levels of response in our Field Operations Activity in order that reduced personnel levels can respond more quickly to increased numbers of complaints, perform investigations, and monitor special activities such as the situation surrounding Radio and TV Marti. Without adequate funds the Field Operations Activity will be unable to respond to complaints of interference except in those situations regarding safety of life and property. With reduced levels of trained personnel available in the regions it is imperative that travel funds be available to relocate and/or detail experienced personnel between regions to fill critical vacancies which cannot be filled outside the agency. Funds are necessary to provide for travel while testing prototype monitoring vehicles and equipment in an actual working environment.

The Mass Media Activity plans to perform audits and inspections of stations for compliance with Commission rules and regulations which have been postponed during the past two fiscal years. Common Carrier audit teams will require funds to perform two additional audits to ensure that carriers are not subsidizing their nonregulated operations from their regulated operations. Travel for Emergency Broadcast activities has been increased to support FCC's continued active participation in efforts to upgrade the national Emergency Broadcast System (EBS) and to update state and local EBS plans to provide a more viable ESB. The importance of this project was clearly illustrated following the devastating effects of Hurricane Hugo and the San Francisco earthquake in the fall of 1989.

Funds are requested to enhance public and private sector interaction on telecommunication issues, such as the three regional hearings on cable issues which are being held during the second quarter of FY 1990. The increase to domestic travel is required if the Commission is to respond to mandates of the Communications Act.

The development of new radio services and increased spectrum usage which requires that bilateral allocation and operating agreements with Canada and Mexico be instituted or extended is one of the reasons that additional international travel funds will be required in FY 1991. In addition, the Commission is involved directly with the preparation for and participation in a number of international radio conferences scheduled in FY 1991 concerning frequency allocation issues or development of procedures for international coordination and registration of frequency assignments. Adequate participation by the Commission is essential to promote and advance U.S. telecommunications issues, e.g., HDTV.

INSPECTOR GENERAL

Question: On March 29, 1989 the Commission established an office of the Inspector General in accordance with the Inspector General Act Amendments of 1988. The FCC's first IG only served 6 months. Why did he resign and when will a successor be appointed?

Answer: John Kamp, the Commission's first Inspector General, resigned to accept a position in the private sector. On December 28, 1989, the Commission requested approval from the Office of Personnel Management (OPM) to establish the IG position in the Senior Executive Service (SES). We recently received approval from OPM and will be initiating action to fill the IG position at the SES level. In the interim, Mr. James Warwick is serving as our Acting Inspector General. We have also begun to staff the other positions in the IG's office.

Question: Page 41 of the justification shows a staff of four in the Inspector General's Office. Is the Office currently fully staffed? Is a staffing level of four considered the optimum size for the Office?

Answer: The Commission is currently recruiting for an auditor and program analyst to assist the Acting Inspector General. Currently, employees from other FCC positions are detailed to these positions. Once the office is permanently staffed and the program requirements necesssary for full implementation are identified, we will be in a better position to access the "optimum" size of the Office.

a. How many staff-years will be devoted to direct audit and investigative services vs. support services?

Answer: Three staff-years will be devoted to audit and investigative services.

b. Does this budget provide sufficient resources to meet the requirements of the Inspector General Act amendments of 1988?

Answer: Yes, we believe it does.

Question: Page 43 of the justification requests $50,000 for contractual assistance. What specific types of outside assistance does the Inspector General believe are needed in order to fulfill his mandate to promote economy and efficiency, and detect fraud and abuse?

Answer: These funds would provide access to external resources with particular skills which may not be available from within the Inspector General's own staff. These funds would also address the immediate need for additional assistance when multiple investigations are being conducted simultaneously.

Question: The Senate Commerce Committee's Communications Subcommittee recently held a hearing on legislation to regulate alternate operator services. One of the important issues which was raised at the hearing was whether the Commission should mandate "billed party preference" for all public telephones. Billed party preference will ensure that the customer paying for a long distance call may choose which long distance carrier will handle the call. I am aware that the issue, which is of great interest to the Congress, is presently under review at the Commission. Could you please give this Subcommittee an update on the status of your review of the billed party preference issues?

Answer: In April 1989, the Bureau issued a Public Notice requesting comments on Bell Atlantic's petition for rulemaking on billed party preference. The comment cycle closed last summer. The staff is reviewing the comments and reply comments filed by the various parties in the proceeding and is currently considering options on how best to proceed. Even its proponents suggest technical capabilities to begin to provide billed party preference will not be available until 1993-1995.

PRIVATE RADIO SERVICES

Question: Mr. Sikes, it is my understanding that the FCC is considering, in the implementation of the revised FCC licensing fees in the Private Radio Services, a policy that would require the applicant to submit a separate fee calculation form and attach it to the other forms already required for licensing. It is also my understanding that the hiring of several additional staff is being contemplated, in part, to process this additional paperwork. My central concerns are that we: 1) not unnecessarily increase the amount of paperwork in government, and 2) not unnecessarily negate the increased revenues from higher licensing fees by major staff increases to process license applications accompanied with this new form. Can you discuss at this time the policy under consideration?

Answer: The FCC is considering the use of a fee processing form in order to assist the agency in collecting fees in the most cost effective manner possible. The information on this form is required to permit a Treasury-approved lockbox bank to assist in the collection of fees by matching certain applicant provided information (a fee type code and fee amount) with pre-established data tables to expedite initial fee review. In addition, the lockbox bank will be creating an automated fee data base that will contain certain basic fee identification/collection information (e.g., name and address of applicant, fee type code, amount of fee paid) through the use of this form. This data base will provide the required link for basic internal control, audit, management analysis and reporting purposes.

While additional staff will be required to implement and operate the Congressionally-expanded fee program, none of this additional staff is required as a result of the fee processing form. In fact, without this form and the services of the Treasury-approved lockbox bank, FCC resource requirements to implement the Congressionally mandated fee program expansion would be even greater than currently estimated.

PRIVATE LAND MOBILE RADIO SERVICES ENFORCEMENT

Question: How does the FCC view the issue of unlicensed operation?

Answer: We view unlicensed operation on private land mobile frequencies seriously, not just because it is a violation of the Communications Act, but also because it has the potential to cause interference to legitimate users of radio, including licensees in the public safety services.

Question: Is this issue a priority for the Commission in the coming year?

Yes. See response below.

Question: What specifically does the FCC plan to do during the next year to address unlicensed operation and what impact will budget constraints have on the overall effectiveness?

We will continue to examine the extent of any problem of unlicensed operation. Additionally, our field offices will continue to investigate complaints of unlicensed operations and levy "forfeitures" -- civil fines -- against those whom they find to be violating the rules. We will give priority to complaints of unlicensed operations that cause interference to safety services. I believe that the budget we have requested is adequate to meet priority needs, but it does not permit us to investigate every problem that may arise.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

SYNDEX

Question: I have received complaints from a number of Arkansans who live in towns that border neighboring states. Television stations serving these areas are located in different states, and that seems to have created some problems. For example, network affiliates in Little Rock usually display a small state map in the corner of the T.V. screen to alert viewers to areas of severe weather conditions. Due to syndex rules, many cable operators have been forced to "black out" duplicative network programming after out-of-state stations, which do not carry severe weather and warning information for Arkansas, have requested their syndex rights to be enforced. This creates a dangerous situation for residents who live in Arkansas border counties. There have also been problems in receiving important state and local news.

Since these areas do not qualify under any existing syndex exceptions, does the F.C.C. have any proposals to address a problem such as this?

Answer: Although the reintroduction of the syndicated exclusivity rules on January 1, 1990, has created some considerable concern on the part of effected subscribers, I believe that most of the problems are transitional in nature and that it is premature to consider changes in the rules at this time. No formal proposals are pending for changes in the rules.

The network nonduplication provisions of the rules have been in force, in one form or another, since 1965. Accordingly, the Commission has a measure of experience with them, including the issue of whether the potential loss of weather information should provide a basis for negating the rules. The issue has arisen both in terms of waiver requests and in terms of rule change proposals. See e.g. KTEN Cablevision, 48 R.R. 2d 1423 (1981)(denying petition for waiver of the non-duplication rules) and CATV Carriage of Television Signals, 62 FCC 2d 190 (1976)(declining to propose changes in the rules).

It should be emphasized that there is nothing in these rules that ultimately forbids cable television systems in Arkansas from carrying the signal of any Arkansas television station or any programming from any such station. What the rules attempt to do is to protect exclusive rights in programming so that the market can function properly in allocating how television product is distributed. With these rules in place, if particular types of programming, including programming that contains emergency weather information, are found to be valuable to cable subscribers then cable system operators can negotiate for and carry this programming. The same is true for distant broadcast stations that find they have a significant Arkansas audience and wish to negotiate for rights to be carried without deletion. Further, since emergency information on distant signals is likely to be relatively limited in terms of audience at any particular time, the Commission's rules do provide for the possibility that the system operator may itself provide an emergency override capacity so that information of this type can appear simultaneously on all channels when emergency situations arise. See Total Television of Amarillo, 65 FCC 2d 242 (1977). Because locally produced news and weather programming is not generally sold on an exclusive basis, the rules should not preclude the carriage of this type of programming from stations in Arkansas.

In sum, while changes in these rules may be desirable at some point, I believe that we should not begin making changes until there has been a fair opportunity for the transitional difficulties inevitably associated with the introduction of a new set of rules of this complexity to work themselves out.

PROGRAMMING RATES

Question: On December 29, 1989, the F.C.C. released its inquiry into the existence of discrimination in the distribution of superstation and network station programming. As you know, one of the report's findings was that satellite carriers seem to be charging higher rates for the same programming to home dish distributors than to cable operators. I understand the F.C.C. plans to conduct a further notice of inquiry on this specific issue.

Could you please share your thoughts as to why there have been dramatic disparities in some instances in programming costs? I would also appreciate an update on the inquiry.

Answer: The Commission will release a Further Notice of Inquiry this spring on the subject of discrimination in the provision of superstation and network station programming. The major purpose of the notice will be to allow interested parties to comment on the reasons why the rates apparently charged by satellite carriers for programming provided to home dish distributors are higher than rates charged for cable distribution.

Our earlier investigation found that programming for these two classes of end user constitutes "like services" and that there are price disparities between the two. The disparities would constitute unlawful discrimination if they were not "just and reasonable." Our further notice is designed to establish a record on which the Commission can make this determination. I would like to have that record to draw on before making a judgment on the reasons for these price disparities.

MFJ

Question: As you know, there has been increased interest in possible modifications to the business restrictions imposed by the Modified Final Judgment. In the wake of overcharges by the NYNEX Corporation, what are your thoughts on removing these restrictions and imposing safeguards to avoid abuses in the future?

Answer: The Commission supports telephone company entry into new and competitive areas because such diversification and innovation can lead to substantial public benefits. The surest way to obtain these benefits is to require that entry be accompanied by strong ratepayer and competitive safeguards. The Commission's recent action against the NYNEX Corporation demonstrates that such safeguards actually exist, and that they are being effectively administered and vigorously enforced.

QUESTIONS SUBMITTED BY SENATOR FRANK R. LAUTENBERG

BILLED PARTY PREFERENCE

Question: Please advise me of the status of the billed party preference docket.

Answer: In April 1989, the Bureau issued a Public Notice requesting comments on Bell Atlantic's petition for rulemaking on billed party preference. The comment cycle closed last summer. The staff is reviewing the comments and reply comments filed by the various parties in the proceeding and is currently considering options on how best to proceed. Even its proponents suggest technical capabilities to begin to provide billed party preference will not be available until 1993-1995.

Question: Does the Commission believe that all competitors in the pay telephone business should operate under the same rules?

Answer: When it ordered the unbundling and detariffing of customer premises equipment (CPE), the Commission determined that pay telephone service by local exchange carriers was a matter of special public interest and, as such, should not be considered CPE for purposes of unbundling and detariffing. At the time of that determination, there were no private pay telephone services. Since then, however, the Commission has allowed the registration of private pay telephones and their interconnection with the local exchange network. Under part 68 of our rules, such telephones are considered CPE. A currently pending petition filed by the Public Telephone Council asks the Commission to declare that local exchange carriers' telephones are also CPE for regulatory purposes. This petition seeks, in essence, to eliminate the existing, dual policy system governing pay telephone provisioning. Since the petition was filed in 1988, the Commission has received numerous comments from exchange carriers, state governments, and the manufacturers and providers of private pay telephones. Many states feel that the existing dual policy system must be continued in order to ensure that pay telephone provisioning is widespread and economically feasible. The petition and comments are now under active consideration by our staff with a view toward resolving the issues raised as quickly as possible.

QUESTIONS SUBMITTED BY SENATOR WARREN RUDMAN

"900" TELEPHONE SERVICE

Question: In recent years we've seen a proliferation of "900" telephone service, in which consumers are charged a fee for listening to certain messages or to express an opinion. Many of these "900" services advertise on television, including on children's television programs. There is generally a disclaimer -- barely visible on the screen -- that informs viewers that this is a toll call. In addition, the announcer may tell children that they should "ask their parents before dialing." Is this a sufficient safeguard against unauthorized use of these services by children? What is current FCC policy on this issue?

Currently, the FCC provides for the "lockout" of "976" phone numbers, which generally feature indecent material. Would the introduction of such a blocking mechanism alleviate concerns among parents that children could dial "900" numbers without authorization?

Answer: The advertisers of the 900 services noted in your question are not telephone companies. Rather, they are commonly known as "enhanced" or "information" service providers, and they are not regulated by the FCC. Although some of these companies may engage in objectionable advertising practices, the actual services provided over 900 lines generally are lawful. This presents a potential barrier to establishing a 900 service blocking requirement. Although blocking is technically feasible, these companies can lay claim to the First Amendment rights that attached to all lawful speech, which raises the question whether a blocking requirement could be sustained if challenged in court. In this respect, most 900 services differ markedly from "adult" message services. These latter services, whether transmitted over 976 or 900 lines, involve the transmission of indecent material, the distribution of which lawfully may be restricted under Section 223(b) of the Act.

HDTV

Question: The Commission is requesting additional resources to work on HDTV issues. These resources include 6 additional engineers and $500,000 in equipment and research efforts.

The role of the FCC in the future of HDTV is in the establishment of technical standards for the transmission of the television signals. What work has the Commission done on this issue in the past and what, specifically, will the additional resources be used for?

Answer: The Commission has HDTV-related responsibilities in areas covering planning through implementation of HDTV services. Work is being conducted on several fronts. The Commission has an outstanding rulemaking proceeding to examine all aspects of the new technology and to analyze its effect on both broadcast and non-broadcast services. Eventually, this proceeding will result in policies and appropriate rules for HDTV services, including spectrum allocation and television channel allotment policies and technical standards for broadcast transmission and reception. The Commission has also established an Advisory Committee on Advanced Television Service to provide assistance in HDTV efforts. Under FCC oversight, the committee is providing advice and recommendations on planning, design, and implementation of advanced television broadcasting services and the systems needed to provide them. The committee has been presented with several proposals for transmission systems; and in order to evaluate each system, it has arranged for detailed measurements and evaluations to be performed under the auspices of the Advanced Television Test Center (ATTC). Concurrent with these efforts, FCC staff is conducting internal studies and analyses of interference issues in advanced television broadcasting, appropriate policies and rules, spectrum availability, and planning factors for the implementation of HDTV.

The Commission's work is designed to complement that of the advisory committee, concentrating in particular on areas where the Commission has strong technical expertise. For example, a key element in the decision on a transmission standard is the potential for interference from the new HDTV signals to existing television receivers. This is critical for determining the availability of sufficient spectrum to implement HDTV. The Commission has over the years conducted a number of studies to characterize the interference rejection characteristics of television receivers. In the past two years, we have performed further interference rejection measurements on recent vintage television receivers, and we made several observations of how the results may apply to HDTV. These tests were performed using existing television signals as the interference sources; future work will use simulated, and finally actual, HDTV signals. In addition, we have analyzed the requirements for spectrum associated with proposed HDTV systems and assessed the potential for satisfying those requirements within the existing TV bands. These studies took into account operating TV stations and the planning factors upon which the channel assignments were made. As a result of these studies, tentative decisions have been made about the types of HDTV systems that are most suitable for the United States.

The Commission's FY 1991 budget submission requests funding to provide for 6 additional positions. Five additional engineering positions will be devoted to carrying out technical studies involving spectrum use, monitoring and reviewing tests of proponent HDTV systems carried out by the advisory committee, and developing appropriate technical standards. One additional position will be an attorney to work on policy development in the rulemaking proceeding. The additional funding for technical equipment will permit purchase of specialized test equipment for studies of factors, such as interference susceptibility of television receivers, effects of varying signal strengths, and the technical characteristics of proposed HDTV systems, which must be considered in planning for implementation of HDTV in the existing broadcast environment. $300,000 requested for contract assistance will be used for developing a new TV channel allotment scheme and implementation procedures by applying sophisticated decision-making techniques to optimize results. The channel allotment scheme will take into consideration effects of propagation phenomena, equipment characteristics, and population distribution and other social criteria. The 1991 budget submission also requests funding for ADP equipment, including a microcomputer and engineering workstations, which will be used to support the advanced television technical analyses as well as other technical projects.

Question: Many believe that HDTV can be the foundation upon which a high technology economy is based. On the other hand, to lose the leadership on HDTV to the Japanese or the Europeans will mean the loss of a major share of the world semi-conductor market and will eventually cause the loss of a substantial market share in such industries as optics, glass, graphics, film, magnetic tape, personal computers, and automated manufacturing technology. The implications of this for American industry are obvious; we will become an assembly center with less and less highly skilled jobs, and the capital needed by a world-class power for investment, research, and development will increasingly flow overseas.

The HDTV broadcasting standards to be set by the FCC will be crucial in determining the future of this industry in the United States. Do you agree that these standards should be based on, and support the development of, American technology? For example, the Zenith Electronics Corporation -- the only American company that still manufactures television sets -- has recommended that these standards include licensing rules to require commitment to U.S. content, particularly in semiconductors and display screens. Do you agree?

Answer: The decision on HDTV broadcasting standards should be based on the best overall interests of the American public. Standards rooted in American technology would carry a great deal of weight in furthering the American public interest. However, we should not select any technology if this will result in a markedly inferior, or prohibitively expensive, broadcast service to the American people. Whatever standards are selected, they must be open so that U.S. manufacturers may produce and further develop HDTV equipment if they choose to do so. With the growing trend toward global companies, many foreign-headquartered firms have substantial manufacturing and development facilities here in the United States. Therefore, even if we were to select standards originated by a foreign-based entity, there is sure to be heavy U.S. involvement in the HDTV industry.

FCC RESOURCE REQUIREMENTS

Question: The Commission has prepared a briefing paper which details the current funding shortfalls and future resource needs of the FCC. This is summarized in a chart which identifies the need for 266 additional full-time equivalent positions and an increase of $15.4 million over the 1991 budget request of $117.9 million.

The briefing paper does a good job of identifying needs; however, it is unclear to me what the Commission is proposing. Are you suggesting that we add these positions and additional funds to your 1991 budget request? If so, is this proposal supported by the Administration?

Answer: The Commission is not suggesting that the Committee add the additional funds and positions to our FY 1991 budget request. The Commission does wish to identify those resources necessary to accomplish our mission. The purpose of the briefing paper was to clearly identify the current funding shortfalls and future resource needs of the Commission to the Committee. It is the intent of the Commission to request this level of resources in our FY 1992 budget justifications to the Office of Management and Budget. The Commission will actively pursue the support of the Administration for inclusion of these resources in the President's FY 1992 Budget to Congress.

BOARD FOR INTERNATIONAL BROADCASTING

STATEMENT OF MALCOLM S. FORBES, JR., CHAIRMAN

ACCOMPANIED BY:

BEN WATTENBERG, VICE CHAIRMAN

GENE PELL, PRESIDENT, RADIO FREE EUROPE/RADIO LIBERTY

BRUCE PORTER, EXECUTIVE DIRECTOR

PATRICIA SCHLUETER, DIRECTOR, FINANCIAL AND CONGRESSIONAL AFFAIRS

BUDGET REQUEST

Senator HOLLINGS. Our next agency is the Board for International Broadcasting. There are two appropriations requested: $201,258,000 for the expenses of the Board and for the grants to Radio Free Europe and Radio Liberty; and $23,098,000 for Israel relay station. The last item is a decrease of $159,043,000 below the 1990 amount, which provided for the construction and equipment of the new station in Israel.

Appearing for the Board is Malcolm S. Forbes, Jr., Chairman; Ben Wattenberg, the Vice Chairman; and Gene Pell, the president of Radio Free Europe and Radio Liberty. We also have Bruce Porter, the Executive Director of the Board; and Patricia Schlueter, the Director of Financial and Congressional Affairs.

Steve, momentarily, we are going to be meeting President Havel of Czechoslovakia. We see the happenings in Poland, Czechoslovakia, Hungary, all over Eastern Europe. I didn't know it was going to happen, but ever since then, I have been an expert on it and it happened on account of Radio Free Europe. That is what I keep telling them.

They obviously have had a communications explosion for all those people from East Germany to come over to West Germany and act like a bunch of capitalists without any training whatsoever. It has had a marked effect. I am dismayed that USIA would want to take away six of the language broadcasts in order to finance a fair or circus that they are putting on in Seville, Spain.

We have had enough of those. They come and go; they are momentary. It is like that thing at Paris, that air show. Have you ever been to one of those, Ben?

Mr. WATTENBERG. No, sir.

Senator HOLLINGS. You ought to go to it. If you get to go, you just eat and watch and lay around, like one grand party; do you know what I mean? These fairs and all are fine, but these broadcasts are, in a time of limited expenditures, very significant and shouldn't be cut back.

I want you to inform me if they have cut you back on any of your requests, because we are making some real headway. I don't know many endeavors of Government that are doing as much as yours in this day and age, but yours seems to be. We are glad to hear from you, and you can include your statement in its entirety or highlight it as you wish.

PREPARED STATEMENT

Mr. **Forbes**. Thank you, Mr. Chairman, for those very kind words. We appreciate what you and your colleagues have done for the radios over the years. I would like to submit my formal testimony for inclusion in the record, and then just highlight a few aspects of it.

Senator **Hollings**. It will be included.

[The statement follows:]

STATEMENT OF MALCOLM S. FORBES, JR.

Mr. Chairman, I am grateful for the opportunity to appear before your Subcommittee today to testify about Radio Free Europe/Radio Liberty. I want to begin by expressing, on behalf of the entire Board, our deepest appreciation to your Subcommittee for the tremendous support you have given us over the years. Without your assistance, Radio Free Europe/Radio Liberty would not have been able to accomplish all that it has; you, like the radio station, deserve much of the credit for what is taking place in Eastern Europe today.

Mr. Chairman, as you know, the past six months have witnessed remarkable events in Eastern Europe. Revolutionary forces have swept the Communist countries of that region, and upheaval is threatening the Soviet Union as well. Democracy, freedom, and human rights are beginning to blossom in a part of the world where they have been denied for forty years or more. Poland led the way by electing Tadeusz Mazowiecki as Prime Minister in August 1989. Since then, in six short months, every government in Eastern Europe has been radically transformed. The opening of the Berlin Wall was the signal to the oppressed peoples of Eastern Europe that their day had come. It was followed by a literal peoples' revolution in Czechoslovakia, culminating in the election of Vaclav Havel as President; the ousting of conservative Communist leaders from Bulgaria and East Germany; the advancement of democratic forces in the newly-named Republic of Hungary; and, most dramatic of all, the overthrow of Nicolae Ceausescu and his regime in Romania.

Radio Free Europe/Radio Liberty was a critical catalyst in bringing about and shaping this "Revolution of 1989." It presented an historic challenge to RFE/RL and I believe we have met that challenge with a standard of journalism that we can all be proud of. But my praise means little when compared to the comments we have received from the new leaders in Eastern Europe and from ordinary citizens.

First I would like to pass on to the Congress poignant comments from a prominent Romanian artist who had been in and out of Ceausescu's prisons and called Munich after the uprising:

> "I am calling to thank you for all you have done, for all your radio station has done -- you were truly our moral support. The scant news we received in prison regarding all the efforts on our behalf, made with your help, literally made it possible for me to resist all these years. That is why I want to thank you, and to ask you to convey my thanks, OUR thanks , to the Congress and people of the United States for having financed and maintained your radio station."

A journalist from the Chicago Tribune reported that Romanians continually approached American journalists asking if they were from Radio Free Europe and seemed disappointed when they were not. One Bucharest man said, "If you see the Radio Free Europe people, tell them we've all been listening. They've kept us alive."

During Lech Walesa's recent trip to Washington he was asked about the contribution of RFE to the rise of Solidarity and the developments in Poland. His response: "Its contribution was enormous. Poland without Radio Free Europe would be like a land without sunshine."

The former director of RFE's Polish Service, Mr. Jan Nowak, recently returned to a hero's welcome in Warsaw following a 45 year absence. At a meeting with Solidarity parliamentarian

Bronislaw Geremek, the leader of the Solidarity caucus declared: "Without you we would not be here."

Last month Andrej Dravicz, the former activist and new head of Polish Radio and Television, visited Washington and spoke highly of the importance of RFE in Poland today. He noted that despite the changes which have occurred, it is imperative that RFE continue broadcasting, since the current Polish broadcast system lacks the competitive nature of a free media.

Events in Czechoslovakia moved quickly precisely because news about developments elsewhere was received so readily. RFE's importance as a surrogate domestic medium of news and analysis was underscored by Czechoslovakia's most prominent dissident playwright, now the President, Vaclav Havel, when he said in a letter to RFE: "People consider you to be the main independent medium. You are the surrogate of the free and independent communications media which ought to exist over here. This is why I myself and many others turn to you."

An employee of RFE's Czechoslovak broadcast division, Karel Kryl, returned to Prague in December to a hero's welcome as he led more than 150,000 demonstrators in Wenceslas Square in the singing of the national anthem.

From the Soviet Union we also are receiving tremendous direct feedback on the impact of RFE/RL broadcasts on developments there. A member of the Soviet Congress of People's Deputies was recently interviewed by RL in Washington. She not only admitted that she and many of the People's Deputies listen to RL news but also indicated the limitations of glasnost in the media and the need for RL's continuation. The fact that two-thirds of the delegates to the Congress of People's Deputies are appointed by party and state organizations is yet another indication of how important it is for the US to broadcast about real democracy into the Soviet Union.

RFE/RL's office of Soviet Area Audience Research recently quoted a young Ukrainian engineer as saying, "The same information appears on our television only long after it has been broadcast by RL." The challenge RFE/RL presents to domestic media is clearly demonstrated by such examples.

CURRENT ACTIVITIES

1989 has been a year of remarkable developments for RFE/RL. One year ago all jamming of RFE/RL ceased. For the first time in nearly forty years, RFE/RL listeners do not have to strain to hear its programs through jammed signals. The impact on audience listening rates has been dramatic. In Eastern Europe, RFE has maintained its large listenership while in the Soviet Union we have witnessed a significant increase in RL's audience.

History was made when RFE/RL opened news bureaus in Budapest and Warsaw last year. The permanent accreditation of RFE/RL correspondents in these countries and the ability to cover events from behind what is left of the Iron Curtain is not only invaluable to our listeners but represents increasing acceptance of the free flow of information and ideas by these nations.

In 1989 we witnessed a veritable explosion of person-to-person contacts with the East bloc: RFE/RL correspondent visits, direct phone calls, telefax, interviews with prominent dissidents and government leaders, and reports from stringers. These improved contacts have had a tremendous impact on the accuracy of our broadcasts and the rapid reporting of events. Radio Liberty's freelance correspondents in the USSR have built up such a sound reputation for reliable reporting that Western correspondents in Moscow tune in regularly to RL's Russian broadcasts to be sure of not missing the main stories of the day. Freelancers are doing similar work for us in Poland and Hungary. They provide not only interviews, but live, first-hand reporting on important events such as elections and changes in government leadership positions.

THE ROLE OF RFE/RL

Given the dramatic progress made in Eastern Europe, some observers have asked if Radio Free Europe is still necessary. In fact, its role continues to be extremely important, perhaps more important than ever, despite the positive changes that have occurred in that region. It would be premature to talk of dismantling an instrument that did so much to make those changes possible.

To begin with, we must realize that the battle for freedom and democracy in Eastern Europe is not yet over. The first totally free and open elections have still to be held in all of the countries of Eastern Europe; the outcome and fairness of those elections remains in the balance. Communist parties control many key levers of power in most countries of the region, including the ultimate levers of power, the military and the police. Even in countries where change has taken place at the top, on the local level an intense struggle for political control is still raging in almost every province of every country, with the outcome very much in doubt. The success of the democratic revolution in Eastern Europe continues to rely to an uncomfortable degree on the survival and political success of Mikhail Gorbachev.

The situation, in other words, is very tenuous. No one can predict what will happen even during the coming year, much less beyond. In the meantime, RFE/RL is still the only international broadcaster whose primary mission is to report on the internal affairs of the countries to which it broadcasts. VOA, BBC, Deutsche Welle, and other national radio stations, concentrate on international news and news about their own country; only RFE/RL serves as a surrogate home station or domestic media. This is a vital role that needs to be fulfilled vigorously until such time as these countries have thriving independent media of their own.

Independent broadcast media are almost nonexistent in the region at this time, and independent print media are only barely getting on their feet. Gazeta Wyborcza may be the only independent newspaper between the Elbe and the Pacific, as its publishers claim, but it is too small and poorly financed to attract the kind of mass audience that shortwave radio can reach. RFE/RL also remains the primary source of information in most countries of the region. Hungary is an exception, perhaps, but even there the state media have give short shrift to the numerous smaller parties competing in the upcoming elections in March. Only RFE/RL gives exposure to all parties and covers all salient aspects of the upcoming vote.

In short, we will feel that our mission is accomplished only when democracy and free, representative government have acquired stable roots in the East bloc. Only when such a situation develops and a reasonable period of time has passed to ensure that the situation is real and lasting, can we talk of Radio Free Europe/Radio Liberty's mission being completed. Until then, it would be premature to curtail our broadcasting efforts. Unfortunately, not a single country in the broadcast area meets all of these milestones at the present time.

FISCAL YEAR 1991 BUDGET

The changing political scene in Eastern Europe opens up new opportunities for Radio Free Europe/Radio Liberty. These opportunities are the reason our FY 91 Budget is so important.

BIB's budget request for FY 1991 reflects no enhancements but rather 4% inflation for operations. RFE/RL will reprogram internally as necessary to pursue its changing mission within current operating levels. In addition we are requesting $8,672,000 to complete a program begun five years ago to refurbish RFE/RL's existing transmitting facilities in Portugal and West Germany. Despite the delays in funding and inflation, this program originally estimated to cost $77,250,000 will be accomplished within the original time frame and at a cost of over $3 million less than originally estimated for the total Technical Modernization Program. Conversion of the existing receiving station at Maxoqueira, Portugal into a transmitting facility is underway and initial broadcasting from this station is scheduled to begin in 1991. Finally, to complete the construction of a new radio relay station in Israel, for the joint use of the Voice of America (VOA) and RFE/RL, BIB requests $23,978,000. Congress has appropriated in Fiscal Years 1988, 89, and 90 $250 million of the total estimated cost of $274 million in new budget authority needed for the design and construction of this critically needed new site.

The new U.S. radio relay station under construction in Israel remains a high priority for both the Voice of America and Radio Free Europe/Radio Liberty; its importance is not diminished by the recent developments in Eastern Europe. The principal broadcast target for Radio Liberty from the Israel site is the Central Asian region of the Soviet Union, an area of ongoing tension and increasing importance in the Muslim world, as well as a region of growing importance to U.S. foreign policy. RFE/RL will not use the new site in Israel for any broadcasts to Eastern Europe.

The broadcast regions for the Voice of America from this site include portions of Africa, India, Pakistan, Afghanistan, the Soviet Union and Eastern Europe. These are areas to which the U.S. will continue broadcasting indefinitely. Of the 37 antennas designed for the Israel station, only six are directed toward Eastern Europe.

The current design of the station takes into consideration the cessation of jamming. Ten antennas have been cut from the original station design which would largely have been used to reach jammed areas.

The Israel station's location is critical. It will allow millions of listeners currently served with poor or no reception to receive reliable signals because the station will be within one-hop distance (1,000 to 2,000 miles) of the key audiences. The station will be equipped with modern 500 kW transmitters that will enable the US to maintain a competitive signal in an increasingly crowded shortwave broadcasting spectrum. Every consideration has been given, and extensive studies undertaken, to assure the ecological balance of the region in which the station is being constructed and the environmental safety of the station's area.

Future Prospects and Directions

What lies in the future for Radio Free Europe/Radio Liberty? We will continue to provide the best possible coverage of developments in Eastern Europe and the Soviet Union, providing the basic information necessary for the peoples of those countries to shape their destiny and forge a brighter future. The pace and direction of democratic development in each country will doubtless differ, and we may see examples of retrogression and reaction. No one can predict the future, as I said earlier.

In 1973, the Eisenhower Commission issued its report to the President on the future of RFE and RL with a recommendation that the BIB be created. In concluding that the Radios play a vital role in US foreign policy and should be openly funded by the Congress, the Commission noted that RFE and RL "actually contribute to a climate of detente rather than detract from it." This finding remains true today.

RFE/RL will continue to support forces of democracy, freedom and human rights by encouraging, nurturing, and protecting the fledgling democratic institutions now emerging. For example, in Hungary we are the only radio station that is providing extensive coverage of the ongoing election campaign. The state radio is giving short shrift to the smaller parties involved in the election, and other Western broadcasters are not giving the airtime to cover this election. RFE/RL thus becomes the radio station of choice for interested voters and election watchers.

Radio Free Europe/Radio Liberty also has the ability to focus its listeners' attention on transnational issues common to Central Europe, focusing on how other countries emerging from Communism are solving their economic and political problems. This is more than cross-reporting; it is an attempt to give the region a sense of common purpose and minimize nationalist strife.

RFE/RL can also serve as a bridge between the democracies of the West and those emerging tentatively in the East; it can inform, pose questions, and illuminate the philosophical undergirding of Western society in a context meaningful to each audience.

Another way we could encourage democracy would be to help train journalists from Central Europe, thus midwifing the birth of free and independent journalistic institutions in those countries.

Conclusion

Given the situation in Eastern Europe and the Soviet Union the FY 1991 budget for Radio Free Europe/Radio Liberty is the least we should do to continue to promote democratic development in this vital region of the globe. Zbigniew Brzezinksi said the following of America's contribution to Eastern Europe:

> "The most important and perhaps least recognized service that America has rendered over the years to the preservation of a European identity in Eastern Europe has been its sponsorship of Radio Free Europe. Though its broadcasts have been frequently jammed, RFE has almost singlehandedly prevented Moscow from accomplishing a central objective: the isolation of Eastern Europe from the rest of Europe, and the ideological indoctrination of its people."

That mission is as vital as ever now and more urgent than at anytime in our history, for the prospect of success is in sight. I urge the Committee to support us in this exciting undertaking. Mr. Chairman, thank you very much for your time today.

RFE/RL'S CURRENT ROLE

Mr. **Forbes**. Thank you. The extraordinary events in Eastern Europe and the Soviet Union have led to some very basic questions about what we are doing now and what our role is in the future. I think first, it is fair to emphasize the extraordinary role, as you indicated, Mr. Chairman, the radios did play in the events in Eastern Europe. Just a couple of quotes from the new leaders of Eastern Europe would underline that. Mr. Geremek, who is the new Solidarity speaker of parliament in Poland, recently greeted the former head of the Polish service of Radio Free Europe, Mr. Jan Nowak, who for 25 or 30 years was persona non grata from Poland. If he had ever gone back before Solidarity took over, he would have been arrested and tried for treason.

When he returned, Mr. Nowak was greeted with banner headlines, and when he appeared before Mr. Geremek and the other Solidarity members of parliament, Mr. Geremek said to him, "If not for you, Jan, we would not be here, this is what you and Radio Free Europe did."

Lech Walesa, when he visited here last November, was asked about the role of these radios, and he replied with a question, "What is the Earth without the Sun?"

Another vivid example was what happened in Romania in December, when we saw the army oppose the Securitante forces and turn against the Ceausescu government. One of the key factors in that turning against the government were the broadcasts that the radios did. Radio Free Europe did a special appeal to the officers of the Romanian army, reminding them that by long tradition over the centuries, the Romanian army has never been used against its own people, only against a foreign foe. We have been told from many sources that that had a profound impact on the officer corps and the decision of many of them not to stick with the government to suppress their own people.

As you know, shortly, we are going to hear from Vaclav Havel speaking before the Congress. He has been a long-time, vigorous supporter of the radios. He said, "You are the surrogate of the free and independent communications media, which ought to exist over here and this is why I myself and many others turn to you."

When he was asked recently whether the radio's mission has been completed in Czechoslovakia and elsewhere in central and Eastern Europe, he replied emphatically that, "The mission has not been completed; that the battle has not yet been won and there are still many things left to be done."

When you talk to these new leaders, two basic factors come through. The first is they emphasize that there still might be a reaction in the Kremlin that could retard or turn back the forces of change that have taken place. They say that is not to be ruled out at least for the foreseeable future; and second, even in their own countries, they still have a little bit of a ways to go to establish a firm democracy as we see it.

NEEDS OF NEW DEMOCRACIES

They point out that they still haven't rooted out all the Communist Party aparatcheks that are combed throughout that society.

They point out that an independent judiciary has still to be established and that these new governments still have to establish firm control of police and military, which hasn't happened yet, and they also emphasize that even though there is free speech, they still haven't established outlets for an independent media.

In other words, you can have free speech, but if you don't have independent newspapers and radios, then it is still a one-man show in terms of media outlet. So in Hungary, we see an example of that with the elections coming up in a few weeks. There are independent parties there that feel, and rightly so, that the government-controlled media are still part Communist and are not giving them an outlet. They can't get their message through. They have to turn to Radio Free Europe to get their message out because they aren't allowed to use the government media the way you normally would in a campaign, no Fairness Doctrine there, either.

In terms of Poland, the new head of the Polish radio and television system, who is a former member of Solidarity and has done work for us, was asked, "Do you need Radio Free Europe?" and he replied that, "It is imperative that Radio Free Europe continue broadcasting since"—as he put it—"the current Polish broadcast system still lacks the competitive nature of a free media."

So when you look at the still unfinished agenda, we think that even in countries where the most progress has been made, Czechoslovakia, Poland, and Hungary, there is still a role for these radios for the short-term foreseeable future. The thing to keep in mind, as you indicated at the beginning, is that we have 23 language services.

Four of those are where the most progress has been made, Poland, Hungary, and the two language services for Czech and Slovak. Two other of the services, Bulgaria and Romania, are still problematic regions concerning the establishment of a democracy. In the Soviet Union itself, they are still years behind where even Eastern Europe is today in terms of democratic progress.

RFE/RL AUDIENCE

That is why we think that in the Soviet Union, the amount of listenership has soared, especially since the lifting of jamming. These people hunger for the kind of information we provide. Listenership has increased dramatically. Even in Eastern Europe, with one exception, the audiences remain either level or have gone up a little bit, which is remarkable considering the outlets they now have as to other choices.

A good example, one final good example of the role these radios still have to play is Soviet central Asia, where each day we see the winds of change are whipping as their nationalism is rising. The real question in that part of the world is: Which forces will eventually predominate in the years ahead, the forces of fanaticism, extremism and intolerance or the forces of tolerance and eventually, one hopes, democracy.

RFE/RL is the only service that is trying to reach those people, and it is very important that the West have at least one voice going in there that is going to give the message of democracy and not of the fanatacism and fundamentalism that we have seen in other parts of the Moslem world. It is the home of 50 million Moslems, the fastest growing part of the Soviet population.

To sum up, we are very heartened by the changes that are taking place, but we don't think we are yet in a world where there is not a role for an advocate of democracy and democratic values.

MEETING WITH VACLAV HAVEL

Senator HOLLINGS. In the meantime, and right on target, I will see Vaclav Havel, I guess, in another 30 minutes, but I saw Mr. Havel some 12 years ago. We made three passes in Prague trying to see him, and on the way to the airport, they said, "There is one more chance." We went all the way up in the hills to his private home and sat in a bedroom, and he literally came out of the closet and sat down and started talking.

Senator Jackson was our senior member, and Scoop started in right away and said, "We are ready now with SALT II. We are going to ratify that. We are moving forward in arms control," and Mr. Havel looked at him and said, "Mr. Senator, we are not interested in that."

Scoop said, "You are not?"

Havel said, "No."

He went on to explain, "The Soviets will maneuver and negotiate and finally come to an agreement that is mostly favorable to them, but even then, they don't accede or obey it. They will violate it at their own volition."

I can see Scoop; he wasn't ready for that response. He said, "Well, we are bringing on the pressures, the economic pressures to help you dissidents get out of the country."

Havel said, "Mr. Senator, we are not interested in that." And Scoop said, " 'Jackson Vanik.' I mean, get the pressure so you can get out."

He said, "No, Senator, we are not interested in bringing economic pressures to get anybody out. We are going to stay, and we are not interested in anybody who wants to leave." He said, "Czechoslovakia was raided in 1938, 1948, and 1968, and if me and my crowd don't stick it out, the world will never know Czechoslovakia as we have known it."

We rode onto the airport, and I made a note. I thought about it last fall, when I heard of Havel again, and I found that note. I said then, "That fellow is brave and crazy. It will never happen in his lifetime." [Laughter.]

I asked him how many people he had and they told us there was a group of about 77, but really, it was about 800. He said, "They will get me. They will bump me off or put me in jail but somebody will take my place." And somebody will take his place.

Sure enough, the next year, they did put him in jail. They were looking for him when we were looking for him at the same time, but he was right, and he stuck to it.

I think that is why we politicians are chasing people who are racing around the corner. We are yelling, "Hey, wait for me." They are way ahead of us. We are way behind.

Mr. PELL. Interestingly, the last time he was put in jail, one of the principal charges against him was broadcasting on Radio Free Europe.

Senator HOLLINGS. Is that right? You had him on Radio Free Europe?

Mr. PELL. Yes, sir; the prosecution used that as one of the charges.

Senator HOLLINGS. That is good to know, because he really got it. That gave me an entirely different outlook on dissidents and their leaving their country. I didn't think in my life you would ever see any kind of a real freedom or democracy in Eastern Europe. It is the durndest thing. They asked us who should be the man of the year, whether Gorbachev, Reagan, Bush, whoever. I mentioned that story, a fellow like Havel or Lech Walesa or Topez, the Romanian Lutheran minister. I said, "Get me the name of that fellow standing in front of the tank in Tianamen Square and erect a statue." I don't know who he is, but when that tank moved, he moved. When they moved away, he moved. I believe I might have gotten out in front of the tank. [Laughter.]

The tank can go around me. I don't believe I would have been moving if I could get in front of it again. I am telling you, that shows a real dedication, courage and commitment.

SUPPORT FROM EASTERN EUROPE

Mr. FORBES. I was going to say we just received a letter this morning from Lech Walesa. When he concludes it, he says:

> Now in the newly emerged independent Poland, the intellectual forum and the place for free political debate which RFE/RL offered together with its high journalistic standards will continue to play an important role in Poland and not only in Poland; its integrating role is needed by the whole of Eastern Europe during her not always and not everywhere certain process of democratization.

Senator HOLLINGS. The key words there are "high journalistic standards," because we always mean to challenge and criticize, and maybe we are not being objective; we are just putting out propaganda, but the proof of the pudding is in the eating.

Mr. WATTENBERG. Senator, I was just in Eastern Europe in Budapest and Warsaw, and we looked at our bureaus. It is quite remarkable that we now have actual news bureaus in Eastern Europe. My sense of the matter is that this moment, for the radios and for the United States, is so extremely important in this sense that yes, it seems that if all these countries are going or many of them will be moving toward democracy, that the decisions now are going to be made regarding what kind of democracy, and you hear a lot of talk there.

People say, "Well, we would like to look at the Swedish model of democracy," which, that is OK with me, but it seems to me that there ought to be western broadcasters in there showing a full array and a full menu of the sorts of democracy that are available including American style.

This is one of the roles, it seems to me, that only stations like the radios can perform. As you look down the road, it is sort of in a geopolitical sense, and it is pretty important.

Senator HOLLINGS. You can rebroadcast that back at home, you know. [Laughter.]

THE FEDERAL DEFICIT

This crowd now, we have engaged in this charade now for 9 years. People think that since we say no taxes that Government doesn't cost anything. They think it has held down spending, and spending has doubled. It has gone from $591 to where they now are asking for $1.23 trillion, more than double. The debt has traveled to over $3 trillion, and the interest costs have gone from $74 to $241 billion. It is just up, up and away.

In 1989, our interest costs jumped $27 billion. Teddy Kennedy, me, and all of us spenders have no idea in mind of spending any $27 billion, for all the drugs, child care, clean up the environment, clean up the nuclear waste, get everybody to Mars and up in space, the collider, just take all the programs and list all you want, and you would add them all up to somewhere around $10 or $11 billion. But, we are going to spend $27 billion for nothing.

The feeling is you can't get rid of us, because that is all they do is respond to polls, so the movement is to try to limit the terms of the Congress. Of course, you can limit them any time you want to in an election, every 2 years, and every 6 years for us. But there is a definite move on now.

There is a tremendous distrust and misunderstanding. I understand it very clearly, because if you are Governor or mayor of a town, you have got to respond and act. The game up here is to keep us in office. We are saying the country is fine and there are no problems out there. We are elected. Read our lips.

Let me ask about the limiting or cutbacks now with regard to the Board. My feeling is to double the effort. Like you said, the job is far from done. It is what kind of democracy that is still trying to get past the controlled press.

Incidentally, all of this changed me somewhat. We have dragged our feet on the National Endowment for Democracy, because it was, again, getting together for everybody to go eat. They had the Republican Party Institute and they had the Democratic Party Institute and everybody else. I wouldn't mind giving it to the AFL–CIO, because labor over the years has got quite a track record, Solidarity in Poland and everything else. Let's give it to Lane Kirkland or somebody, but let's not start to get political.

They are finally getting into the business, and the National Endowment is in downtown Prague. They found 12 presses up in Columbus, OH, and they were delivered this last Friday. So they will start publishing a newspaper there. We are trying other efforts. I am ready, instead of cutting, I am ready to double them. Instead of cutting, I am ready to double you. This is where we ought to put in some money. I can find you plenty. I am on defense appropriations and I can find you plenty of room. Tell me what we need. Literally. I would like to know.

We have got this letter from Mr. Gelb at USIA. He was going to cut out Greek, Turkish, Lao, Slovene, Uzbek, and Swahili. They are going to reduce all of those broadcast services, and 54 full-time positions to have a circus in Seville. What the heck? What kind of Government is this, anyway?

My friend Charlie Wick went over there and started that thing, got a bunch of business people together and said, "We are going to have a wonderful show. Uncle Sucker is going to pay for it, and we are all going to eat again."

RFE/RL NEEDS OUTSIDE PENDING REQUEST

I am not going to go along with it, and I am not going to stand for those cuts if we can possibly prevent it. I would like to know where some legitimate increases are that you folks would know about and disciplines that we ought to be looking at.

Mr. PELL. I can give you two or three right off the top. We broadcast now about 3 hours of original programming a day to the Ukraine, 20 million people, one of the most important parts of the U.S.S.R. We ought to be doing twice the broadcasting in the Ukraine that we are doing. We don't have the people to do it.

Senator HOLLINGS. Have you got any way to put a dollar sign by that?

Mr. PELL. One-half million dollars would give me another 10 people, which would enable me to double the broadcasting. We ought to be broadcasting more to central Asia than we are. As Mr. Forbes pointed out, this is the area of the fastest growing population in the U.S.S.R. It is an area we have seen in the last 60 to 90 days racked by turmoil and trouble. We are the only western broadcaster on the air in several of these languages, for example, in Tadjik, in Tadjikistan, and its capital Dushanbe, where some of the biggest trouble has been in the last month. Again, we ought to be adding resources to that area.

Senator HOLLINGS. How many people and how many dollars?

OMB CUTS

Mr. PELL. Our total request, Senator, for enhancements in this coming fiscal year was in the neighborhood of $1 million, and that money would have gone to increase positions for Ukrainian and central Asian broadcasting, which would have brought us up to the level that I think we ought to be on the air at.

Senator HOLLINGS. Is that all?

Mr. FORBES. There was $4 million to cover inflation which was also cut out by OMB.

Senator HOLLINGS. I was just going to say, Mr. Pell doesn't even qualify for Government to come up and ask for $1 million. [Laughter.]

Mr. PELL. I was just getting warmed up.

PUBLIC DIPLOMACY

Mr. WATTENBERG. Senator, when I was there, the head of the Russian Service said, when we were talking about budgets, "God, if we only had $200,000 more to get some more stringers in the Soviet news."

We have a network, as Gene can tell you, a network of stringers all around the Soviet Union. This is unheard of. We used to be the enemy, and now, to put Gene Pell in a nickel and dime position on having a network of correspondents all around the Soviet Union at a time when they are going through this enormous upheaval and this enormous set of decisions, I agree, it is preposterous.

Those defense cuts, since defense is part of your foreign policy, ought to be reprogrammed into other areas of foreign policy, and one of those areas is public diplomacy, and I think you are absolutely right. There ought to be increases in all of public diplomacy.

POLITICAL POLLS

Senator HOLLINGS. I will get you to write it. In my first 20 years in politics, I never heard of a pollster or a consultant or a money raiser. Then I have been for the last 20 years with one, and now know how to talk in 20 second bites.

You will never find the needs of a people in a political poll, never find the needs of the people in a political poll. If you took the Marshall Plan and put it out right now and said, "We are going to tax ourselves so many billions of dollars," they would vote it down.

The truth of the matter is, they are running around in circles. My friend, Senator Byrd, with his deep knowledge of history about Congress could tell you, if you were to go to the Continental Convention in 1787 in Philadelphia, it was so secret, they wouldn't let you press people in because there was no chance of getting a constitutional government. They wanted the Articles of Confederation. They wanted a bunch of strong States and maybe a few services out of Washington, but nothing else. They didn't want really to organize into a republic.

A fellow, Patterson from New Jersey, threatened to lift the veil of secrecy when he lost the vote, and they almost excommunicated him and everything else, but they held fast, because they didn't want them to respond just to the popular poll; they would never get a government.

The Marshall Plan, and Roosevelt, if he had taken a poll, he would have never gotten us into World War II. We would all be goose stepping now.

Mr. FORBES. It is called leadership.

Senator HOLLINGS. I get all this regressive nonsense about a value added tax. In South Carolina, we put in a sales tax when we are behind the others. We were 47th or 46th; Mississippi was behind us, but we had the second lowest per capita income. We passed a sales tax. We got public education; we got technical training, we got the skills. We were able to carpetbag these industries and bring them in. Now we are carpetbagging Tokyo. We just got Atachi the other day; 2 months ago, Nissan. We have got 27 foreign industries in South Carolina and we are building.

Regressive, that is the most progressive thing, and that has been in for 40 years. You can take a political poll in my home State, and they would vote against it, but nobody has put in a bill to repeal it. Nobody is appealing to the court to strike it down.

UNFUNDED RFE/RL REQUIREMENTS

So what you have here in Washington and everything else of this kind is just running by polls. Here is a wonderful opportunity that won't show up in the poll, but you and the work and everything else see it as so obvious. I think, in all candor, let's get some more. If you can, will you flesh out this record for me and see what else we need?

Mr. PELL. Yes, sir.

[The information follows:]

LETTER FROM MALCOLM S. FORBES, JR.

March 16, 1990

The Honorable Ernest F. Hollings
Chairman
Subcommittee on Commerce, Justice, State,
the Judiciary, and Related Agencies
U.S. Senate
Washington, DC 20515

Dear Chairman Hollings:

Thank you again for the courtesies you extended to me and my colleagues at our recent hearing before your subcommittee. On that occasion you asked that we provide you with a list of items Radio Free Europe/Radio Liberty needed to take full advantage of the opportunities that changing events in Eastern Europe and the Soviet Union offer us. I am pleased to respond to that request.

In order of priority, we see the following needs:

First, the restoration of inflation rates to the level projected by RFE/RL for the FY 1991 budget is needed. RFE/RL's FY 1991 budget request to OMB contained an overall inflation rate of 6.5 percent for mandatory operational increases, wages and costs for goods and services. Consistent with government-wide policy, the budget approved by OMB includes an increase of only 4 percent over the previous fiscal year, a reduction of $4,630,000.

Second, we would hope to obtain RFE/RL's enhancement requests of FY 1991 costing $970,000 in two areas: Radio Liberty Nationalities broadcasting and RFE/RL Research.

A. Radio Liberty Nationalities - Fourteen Positions: None of RL's audiences has greater potential significance for U.S. foreign policy and the future of the USSR than those in the Ukraine and Central Asia. Yet these services are currently understaffed and in great need of additional people in order to perform at required levels.

Radio Liberty presently broadcasts only 3 hours per day of original programming to the Ukraine, an area of strategic importance because of its geopolitical position and because it is a political, cultural, and economic center second only to Russia itself in the USSR. A variety of informal political and cultural groups is emerging and voicing demands for potentially far-reaching reforms. The Ukrainian audience of Radio Liberty credits RFE/RL with playing a major role in stimulating the tempo and direction of reform. With a modest staff augmentation of five positions, original program hours to this audience could be doubled within a short period of time.

The Central Asian population of the Soviet Union is growing at a pace four times faster than the USSR's ethnic Russian population. This mostly Muslim population is now demonstrating keen political awareness, underlined by demands for more political autonomy, economic reform, and cultural freedom. Nine new positions, one for each Central Asian and Caucasian broadcast department would significantly enhance the impact of these broadcasts.

RFE/RL Research: Three Positions. In addition, we requested three (3) new positions for RFE/RL Research specifically for computerized data entry into research archives, libraries, and data bases. The products of our research are widely considered to be authoritative and definitive in the policy, research, academic, and business communities. No other major research organization is able to follow and analyze on a daily basis hundreds of Soviet newspapers and journals in many different languages of the USSR; Soviet radio and television, and samizdat (unofficial publications). The same is true for Eastern Europe. The enormous increase in the volume of material to be entered in RFE/RL's archives, libraries, and data bases has resulted in a requirement for additional staff for screening and entry of data.

Our third priority includes a number of operational needs identified by the Management of RFE/RL:

A. Increased operating and programming funds: When one considers the momentous change that swept across Eastern Europe and the Soviet Union in 1989, it is understandable that the West's leading broadcaster to these areas incurred significant operating costs of covering those events. Many of those extraordinary expenses actually occurred in FY 1990. They involved expenses for travel, communications, freelancers, temporary payroll, and overtime. For example, the December events in Romania caused Radio Free Europe to expand its Romanian broadcasts to 24 hours per day for an extended period. This was done without increasing staff, but with obvious overtime requirements. Annualized for FY 1991, these extraordinary expenses total $2,200,000. They have been covered through internal offsets and by cutting projected discretionary accounts for the balance of FY 1990. This will result in elimination of some freelancers, decreased travel at a time when travel to the East has finally become possible, and other program cuts. These are vitally needed operating funds without which present program levels cannot be sustained in 1991.

B. Computerization of RFE/RL Archives: RFE/RL maintains a library of more than 120,000 volumes organized by language and subject, 360 periodical titles and 50 international newspapers. More than 500 visitors from other institutions visit RFE/RL each year to take advantage of these resources. More than 300 requests for information are handled each day. RFE/RL also maintains a number of specialized archives, including the Red Archive and the Samizdat Archive.

The Red Archive is one of the major research assets of RFE/RL, and for that matter of the Western world. It is an unparalleled collection of abstracts, annotations, clippings, and computer databases on Communist affairs. As of 1989, the Red Archive contained nearly 4 million biographic and subject entries. Radio Liberty's Samizdat Archive was organized in the 1960s to collect and preserve unofficial writings coming out of the USSR; to verify their authenticity and accuracy through painstaking research; and to prepare the most significant works for broadcasting and publication. The Samizdat unit publishes between 1,500 and 2,000 pages of documents each year.

One of the major goals of RFE/RL management is to proceed with automating its various collections, thus assuring their preservation for generations to come while at the same time vastly increasing their availability and their accessibility to the scholarly community and to government, academia, and other appropriate agencies.

RFE/RL management estimates that full microfilming and computerization of all materials into accessible databases would cost $10.8 million. This undertaking should be implemented over a period of approximately five years. An appropriation of $2.8 million in FY 1991 would cover initial computer hardware and software and approximately 23 positions, with an additional $2 million appropriations required annually in FY 1992 through 1995.

Mr. Chairman, I realize this has become a lengthy document. However, you very graciously requested that we provide you with a list of what we thought was needed to improve operations and take advantage of opportunities. The management of RFE/RL and the Board are grateful for this opportunity to offer that information and thank you once again for your strong support of our efforts.

Sincerely yours,

Malcolm S. Forbes, Jr.

Highest Priority:

Additions to BIB's budget request		
Inflation		$4,630,000
Funding for 17 new positions		970,000
		$5,600,000
RFE/RL Management Needs:		
Funds expended during FY 1990 for extraordinary events in East Europe - annualized FY 1991 (Freelance, temporary payroll, overtime, travel)		2,200,000
Five year estimate for proposed RFE/RL Research/Archival (Retrieval System)	$10,800,000	
Initial start-up cost FY 1991		2,800,000
Total Increase for FY 1991		$10,600,000

FUNDS FROM DEFENSE

Senator **Hollings**. Because we can find several million here rather than get a plane that jumps up and down. Can you see some Marines doing that? I can't see any Marines invading anywhere right now, can you? They didn't go into Nicaragua.

Mr. **Forbes**. We certainly share your sentiment.

Senator **Hollings**. We aren't going into Cuba, so where are we going?

Mr. **Forbes**. We certainly share your sentiment and need a way to preserve those language services. That is the bread and butter.

Senator **Hollings**. One plane is now $630 million, one step. That is double your whole budget.

Mr. **Forbes**. Almost triple.

Senator **Hollings**. One airplane. Nobody is going to fly over and penetrate over Moscow unless they are going to drop something nuclear, and they don't have to worry about coming back if they do it. Who is going to be present in a stealth bomber? No way. We are building things for nothing. I am strong on defense. I am for the Trident. We have got to have some kind of deterrence, but heavens above, just one plane. That has got to be ridiculous. Mr. Wattenberg, a B-17 costs $97,000; now one plane is up to $630 million.

Mr. **Forbes**. That is incredible.

ISRAEL RADIO RELAY STATION

Senator **Hollings**. That is a lunacy that we are engaged in.

Let me jump to the Israel Radio Relay Station, because I have got to go to the joint session. There is some difference out there. There is some resistance to the relay station that it will cause interference, and that we are going to radiate everybody and everything like that. Tell me about it. What is going on?

Mr. **Forbes**. We just visited Israel last week and talked with the prime minister, the foreign minister, defense minister, finance minister, communications minister, and other members of the government. We even met with representatives of the Society for the Preservation of Nature, which is the big environmental group in Israel.

The government support for the project was reaffirmed vigorously, publicly, by the chief ministers. The environmental concerns fall into three basic categories: One is a threat to people, plants, and human beings from this transmitter site; the second is the effect it would have on the migration of birds. There are millions of birds that go from Europe to Africa and fly over this region and back again; and the third is the fear that the Israeli Air Force would, because of this transmitter site, have to transfer a training range into a nature reserve.

So those are the three basic areas. Concerning the possible harm to people, plants, and animals, there is absolutely no harm that will come from that station. There are stations all around the world. In over 50 years of experience with transmitters, shortwave transmitters—I want to emphasize shortwave—there has been no documented evidence in over half a century of any harm being done to anyone's health or any animal's health from one of those stations.

We have stations such as in Portugal where schools are right next to it, hospitals are right next to it. People spent 30- and 40-year careers there with no ill effects.

Senator HOLLINGS. Where is this?

Mr. FORBES. In Portugal.

Senator HOLLINGS. Portugal.

Mr. FORBES. And other areas of the world.

Mr. PELL. North Carolina.

Mr. FORBES. The BBC has never documented any ill health. The second concern was the migration of birds. First of all, we pointed out, which we think that a lot of the public didn't realize, is that birds don't fly directly over these transmitters.

Second, even if they did, it would only be a few minutes each year, and there are other parts of the world, including the east part of the United States, North America, and South America, where we get millions of migrating birds going over similar high-frequency power stations with never any ill effect.

As I pointed out, if you spend 20 minutes in front of a word processor, you are going to get more emissions than a bird will in 20 years flying over this thing.

So there is no scientific evidence for those first two concerns. As for the concern about the Israeli Air Force moving into a nature reserve, we have examined the possible impact that those electromagnetic transmissions would have on F-16's, and we have discussed this thoroughly with the Israeli Air Force. We don't think that there is any need for them to move into that nature reserve. They tried to move into that nature reserve 10 years ago, long before this transmitting station was even on the horizon.

We have talked to the Israeli defense minister about this.

We have talked to officials of the air force, and we don't think that there will be an environmental problem posed by this station in that respect.

So we left Israel feeling that the case had been reaffirmed. The government is fully supportive of it. It will have no adverse impact upon any objective standard on birds, on people, or on the ability of the air force to continue its mission in Israel.

STATE DEPARTMENT SUPPORT

Senator HOLLINGS. Have you educated Mr. Selin at the State Department?

Mr. FORBES. We think that they are now singing the same tune, and that problem will not be revisited and has been well overcome.

Senator HOLLINGS. I congratulate you on that, because they were trying to limit the broadcasts into the central part of Russia, where it was just pointed out the need ought to be accelerated.

Mr. FORBES. Yes; and they also overlooked the fact that the VOA will be using this transmitter to reach parts of Africa and South Asia. One of the things that happened last summer after the Tianamen Square massacre was that VOA could only increase its broadcast to China by 1 hour because the transmitter in the Philippines couldn't do any more. If we had this transmitter site in Israel, that transmitter site in Israel could have beefed up the VOA broadcasts to India and Pakistan, which would have freed up more capacity in the Philippines to hit China. So indirectly, VOA would have been able to respond much more effectively to the Tianamen Square massacre.

BIB MEMBER LANE KIRKLAND

Senator HOLLINGS. I hope we can help any way we can to continue Mr. Kirkland's service on that Board of yours.

Mr. FORBES. Absolutely.

Senator HOLLINGS. He has done an outstanding job.

Mr. FORBES. He has done more than any individual in this country in helping to bring about the change in Eastern Europe. Long ago when people thought Solidarity's days were numbered, or they would be, effectively, the AFL-CIO was in there pitching to keep them alive, give them sustenance, so in our minds, he is a hero and of any member of that Board including myself he deserves most reappointment because of his keen interest and what he has achieved, not only on the Board, but elsewhere.

Senator HOLLINGS. Amen.

Mr. WATTENBERG. I would just like to second exactly what the chairman said.

Senator HOLLINGS. I will third it. That is wonderful, because the public ought to know that. The authorities ought to know that, and I think they will find that out from what you have said.

ADDITIONAL COMMITTEE QUESTIONS

I thank all three of you very, very much. We appreciate your appearance here. The record will stay open. Senator Rudman was coming along. He got delayed, and the other Senators wanted to be here, but we are all jammed up this morning.

[The following questions were not asked at the hearing, but were submitted to the Board for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

Test of Eastern European Democracies

Mr. Forbes, in your statement you say that the Board's mission would be accomplished only when democracy and free, representative Government have acquired stable roots in the East bloc. How would you make that judgement? For instance:

QUESTION:

Must not there first be a freely-elected Government with a fixed term and limited power?

ANSWER:

Yes, and this has not yet taken place in any country to which RFE/RL broadcasts. Several countries are holding elections in the next year that may bring about freely-elected Governments with fixed terms and limited power. In the meantime, RFE is playing a vital role in providing balanced and comprehensive election coverage not available from state-controlled media.

QUESTION:

Second, should there not be a judiciary independent of the Executive?

ANSWER:

Absolutely, and again, this is not yet the case in most of the countries to which RFE/RL broadcasts.

QUESTION:

Third, the Military and Police are under the direct control of the freely-elected Government?

ANSWER:

Yes. So long as the USSR maintains troops in Eastern Europe and the KGB maintains close ties with the militia and secret police of the East European countries, it is premature to talk of the end of the Cold War. The democratic revolutions in Eastern Europe are only partial thus far; until the coercive powers of the state (i.e., the police and the military) are in the hands of freely elected representatives of the people, the future of democratic revolution remains uncertain and precarious.

QUESTION:

Must not there also be an independent news media?

ANSWER:

Yes. Censorship has been essentially abolished in parts of Eastern Europe, but it will take considerable time for free and independent media to be established. This is particularly true of broadcast media, which require extensive capital investments. In the meantime, RFE/RL and other international broadcasters provide the only competition to state-run broadcast media.

QUESTION:

Should not there also be basic human rights such as freedom of speech, religion, peaceful assembly, due process, property ownership, travel, and the right to form political parties and engage in political activities?

ANSWER:

Yes, and there should be a period of time to determine whether or not these rights are solidly established in practice, as well as in theory. Stalin's 1936 constitution included most of these rights, but was meaningless. Only time will tell how genuine and enduring democratic practices will be in Eastern Europe.

QUESTION:

How close is any of the Eastern European nations to meeting those goals?

ANSWER:

Poland, Czechoslovakia, and Hungary are making good progress toward meeting these criteria. Bulgaria and Romania are further behind. However, none of the countries to which RFE/RL broadcasts currently meets all of these criteria.

True Nature of New Eastern Europe Leaders

QUESTION:

With all your sources at RFE/RL, what do you think of the future of the new Eastern European Governments? Do those Governments have staying power? Are these nations really ready for the free elections that are promised?

ANSWER:

The old Communist systems have been swept away or challenged throughout Eastern Europe. The process of democratization has only begun. The prospects for the present governments, and the significance of the upcoming elections, vary from country to country. In Poland, the Mazowiecki Government has strong popular support and is so far retaining that support while implementing economic reform that involves considerable sacrifice by the Polish people. Prospects seem good. In Czechoslovakia, President Havel and the new government leaders have strong popular support. The upcoming elections should be free and meaningful, with the likely outcome a coalition government of non-Communist parties. The present East German government is transitional and will disappear when Germany is reunified. The present Hungarian election campaign is meaningful, and a non-Communist coalition government is the likely outcome. But economic austerity is fueling greater social tensions in Hungary, and the emergence of a democratic Hungary is not certain. In Bulgaria and Romania, the process of democratization is much more fragile. A reform Communist leadership is trying to maintain power in Bulgaria. The Romanian National Front government seems increasingly more authoritarian than democratic. The upcoming elections in both Bulgaria and Romania may be artificial, either because of regime manipulation or because the newly established non-Communist parties are too weak and disorganized to campaign effectively.

Future of Radios

QUESTION:

Let's stay positive and assume that all of Eastern Europe and Russia becomes democracies, with multi-parties, and free elections. Furthermore, there is full and open communications so that we no longer need surrogate radios broadcasting from Munich.

How would you now rate the flow of information in those countries; are the internal broadcasters freely broadcasting the news?

ANSWER:

Soviet media have become more attractive and, in the case of the few more daring publications and television segments, more honest and accurate since 1985, but they still have a long way to go before they can stand comparison with Western news services, or even with those of Eastern Europe. Soviet media frequently reports news incompletely, tendentiously and/or selectively. Sometimes they fail to cover important stories at all, or only long after the event. Soviet media, especially printed media in the non-Russian regions, do not as a rule circulate widely beyond their immediate locale. This is a matter of Soviet policy which remains unchanged. Radio Liberty is the only medium which systematically "cross-reports" information from one region to another. These uncorrected failings help to explain the strong increase in listeners to foreign broadcasts, particularly to Radio Liberty.

Freedom of information has expanded significantly throughout Eastern Europe in the last year -- particularly in Poland, Czechoslovakia and Hungary -- but major obstacles remain in creating pluralist media comparable to that of the United States and Western Europe.

Formal censorship and Communist control of the media have been abolished, but some of the new non-Communist governments attempt to manage the media. Moreover, a generation of journalists has been trained to think of the media as an instrument of the state. Most journalists who worked under the Communist system are still in place. Technical facilities are outdated.

Leading East European journalists themselves affirm that much remains to be done to create truly free and independent domestic media. As Katarzyna Kolodziejczyk, the International Relations Secretary of the Association of Polish Journalists noted at a recent conference in Paris, "Our journalists today are not ready to assume responsibility. Legal freedom of the press is not enough. The old habits of a one-party system endure. The young generation is not prepared for the tasks of an independent press."

QUESTION:

What is the administration planning to do with this marvelous organization of 1,766 employees who have dedicated their lives to bringing the truth to the captive nations of Eastern Europe and Russia? For instance, can we blend RFE/RL with the Voice of America, and RIAS in Berlin into one international U.S. broadcaster?

ANSWER:

The whole issue of the future of international broadcasting is being reviewed by the Administration. For the present, however, official Administration policy does not favor the possible mergers mentioned in your question.

QUESTION:

Mr. Pell, you formerly headed up the VOA, what do you think is the future of the radios?

ANSWER:

As the only person who has ever headed both VOA and RFE/RL, I have a keen sense of the respective missions of the two organizations. RFE and RL have been and remain surrogate radios, concentrating their programs on news and information about events inside their target countries. The VOA is essentially an American radio station broadcasting from and about America to the rest of the world. Blurring the distinction between the two organizations would, in my view, be unwise at this time. The countries of Eastern Europe which have just begun the process of democratization still require our attention and assistance. President Havel has addressed the continued need for Radio Free Europe broadcasts. So has Solidarity leader Lech Walesa in Poland. They represent two countries where the process of transformation is most advanced. Bulgaria, Romania, and the whole of the Soviet Union are still a considerable distance from Czechoslovakia and Poland. The time will come, and I hope quickly, when democratic institutions and values will have taken root to the point that a surrogate radio service is no longer necessary. At that point I would support consolidation of all U.S. international broadcasting under a single entity, provided necessary safeguards are in place to assure the editorial and fiscal autonomy of those responsible for the undertaking.

QUESTION:

BIB's Annual Report says that RFE/RL also "serves as a priceless repository of threatened national cultures." How do we preserve that rich repository?

ANSWER:

RFE/RL's library and specialized archives are unique in the world. RFE/RL maintains a library of 120,000 volumes organized by language and subject, 360 periodical titles and 50 international newspapers. The materials come in more than 30 languages. One of the world's preeminent repositories of information about Communist affairs, it receives more than 500 visitors from other institutions each year and handles more than 300 requests for information every day.

In addition, RFE/RL maintains a number of specialized archives, including the Red Archive and the samizdat archive.

The Red Archive is one of the major research assets of RFE/RL. Over 30 years in the making and still going strong, the Red Archive is an unparalleled collection of abstracts, annotations, clippings and computer databases having to do with Communist affairs. As of 1989, the Red Archive contained nearly 4 million biographic and subject entries. Since 1984, biographic data from the Soviet press have been entered into a computerized database. By 1989, the database contained a quarter million entries. This year a subject matter database will be devised and improvements in software will be made.

Radio Liberty's Samizdat archive was organized in the 1960's to collect and preserve unofficial writings coming out of the USSR, verify their authenticity and accuracy through painstaking research, and prepare the most significant works for broadcasting and publication. The Samizdat unit re-types the materials, checks names and facts and supplies footnotes and scholarly annotations. RL samizdat publications, principally its journal Materially samizdata, are distributed to libraries and scholars in the U.S and Western Europe. The unit publishes between 1500 and 2000 pages of documents a year.

Interestingly, glasnost' has not lead to diminution in the volume of samizdat being produced in the USSR. On the contrary, it has increased dramatically under Gorbachev, indicating that many Soviets still do not have access to the Soviet media and that much that would be of interest to the Soviet public is not being reported. For the foreseeable future, samizdat will continue to be an important vehicle for free expression in the USSR.

Most of Radio Liberty's archival materials are stored in two locations: in the Red Archive in Munich and in a suburban Munich warehouse. The materials exist primarily as paper files. Microfilming of some (about one-third of the total biographic holding) of the biographic materials was done under agreement with an outside contractor in 1986-1987. Since 1984 biographical data has been entered into a database that now has over 250,000 entries. But the great bulk of the material is, at this point, poorly protected against wear, aging, loss, and disaster. The diverse nature of the paper collection--in terms of each piece's size, age, color, etc.--makes microfilming it (which would provide the best protection) very labor intensive and expensive.

The situation is similar with respect to RFE's archives. RFE has the largest collection of archival materials from post-1945 East European and Baltic newspapers and periodicals. The archives include materials on Albania, the Baltic States, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, and Yugoslavia. These materials included (as of 1986) 12,310 bound volumes, 817 cartons of unbound volumes, and 2012 reels of microfilm. Some of this material has been indexed and abstracted on file cards or extracted in hard-copy subject files. This collection consists of approximately 880,000 file cards containing information on some 350,000 personalities and about 80,000 subject topics, and 12,000 binders containing hard copy subject files. An extensive collection of uncensored (samizdat) Polish publications was established and is available for historical research. These holdings have been indexed in a computer database. This database was conceived as a pilot project; microfilming and computerization of the archive is urgently needed.

QUESTION:

What would be the costs of terminating the radios?

ANSWER:

The schedule follows:

Hypothetical Cost of Shut Down
as of December 31, 1990
(000 omitted)

	Cost at DM 1.78
Germany and Field Bureaus	
Severance and related costs assuming notice prior to 12/31/90	$111,4000
Social Plan (assume one years' salary and benefits)	87,800
Unemployment (assume one year's salary and taxes)	80,200
Freelance/Temporary Employees - 1 year payment (includes U.S. freelance)	6,800
U.S. Pension Plan	60,000
DM Pension Plan	47,200
Legal Fees/Closing Down costs	8,500
Employee Costs for Close Down (assume 150 employees for two years)	20,800
Operating costs during close down	8,500
Apartment Leases/Renovations	9,400
Contracts (including minimum power payments at transmitting sites for five years)	8,500
Contingency	5,700
United States	
Severance and related costs	5,000
Legal/close down costs	2,000
Post termination assistance	1,000
Leases/contracts	4,000
Contingency	1,000
RARET, Portugal	46,500
Pals, Spain	9,500
Total Cost	$523,800

Not included in the above are offsets to the costs to be realized from the sale of RFE/RL assets - the Munich Headquarters building, office furniture and equipment, and technical equipment. All new transmitters, most computer equipment, and the new studio building are property of, and remain the property of, the United States Government.

Israel Radio Relay Station

QUESTION:

The Jerusalem Post earlier this month reported that when Under Secretary of State Ivan Selin was in Israel in January, he asked Israel officials if they would be upset if the radio relay station project was abandoned. That is nothing new as all last year the Department of State was suggesting that as a way to make up the cut in foreign affairs spending that they agreed to in the budget agreement. Do Mr. Selin's remarks indicate that the Bush Administration is pulling away from the project?

ANSWER:

No, Mr. Selin's remarks indicated only his personal views. The Administration continues to support the project in Israel.

QUESTION:

Some have suggested that the Israel project be delayed to allow for a study of the future of U.S. International Broadcasting. What would be the consequences?

ANSWER:

Delaying the Israel project would only result in cost overruns and might even jeopardize the political future of the project in Israel. Regardless of the future structure of U.S. international broadcasting, this station will be vital for reaching crucial audiences in Africa, South Asia, Europe, and the Soviet Union.

QUESTION:

Both The New York Times and The Post have recently published articles reporting environmentalists concerns with the location of the Israel radio relay station. They say that the station will cause the Israel Air Force to move a training area to a site that is reported to be the last great wilderness reserve in Israel. This appears to be a ploy by the Israel Air Force in order not to move. The Israel Air Force doesn't lose many battles and when the staff was in Tel Aviv in December, they were told that the Israel Air Force would lose this one. Is that still the case?

ANSWER:

BIB remains confident that this problem will be resolved in a manner that will satisfy both the IDF and the concerns of Israeli environmental authorities. Mr.

Malcolm S. Forbes, Chairman of the Board for International Broadcasting, has sent a letter to Mr. Yitzhak Rabin, Defense Minister of Israel, assuring him that the new VOA station will meet the strict environmental and safety standards required by the Air Force. This means that the Israeli Air Force will be able to use its existing training range safely and will not necessarily have to relocate to the nature reserve.

QUESTION:

One of the environmental concerns is the impact of powerful electro magnetic radiation from the antennas on the annual migration of millions of birds between Africa and Europe. How does the radiation from the antennas, in Israel compare to the antennas in Germany, Portugal, and Spain?

ANSWER:

The RFE/RL transmitting station in Portugal has nineteen 250 kw shortwave transmitters and 21 curtain antennas. Nineteen curtain antennas are equipped with diplexers and two are equipped with triplexers. Because of the physical arrangement of the curtains in Portugal and because of current scheduling practices, electromagnetic fields being emitted from the station are equivalent to those that will be emitted from the Israel Station. At the other five RFE/RL transmitting stations, either because of the fewer number of transmitters or because of the lower transmitter power, emitted electromagnetic fields are less than those that will be emitted from the Israel Station.

QUESTION:

Has RFE/RL had any problem with birds or anything else being radiated by your antennas in Europe?

ANSWER:

No, RFE/RL has not experienced any ill effects from its facilities in Europe. Both the VOA and RFE/RL have been operating transmitters in populated areas for almost 50 years with no known detrimental health effects on humans, plants or animals. In fact, a recent survey of the VOA facility in Delano, California, found that "the field strength measurements from UHF transmissions were similar to those commonly found in most urban areas and well below the levels recommended by the National Council of Radiation Protection and Measurements".

QUESTION:

Incidentally are the antennas to be 70-stories high as reported in the Israel Press?

ANSWER:

No. The highest antennas included in the design for the Israel project will be approximately 170 meters, 557 feet, well under 70 stories.

QUESTION:

When the staff was in Israel they were told that the key decision was the Government of Israel's approval of the National Outline Scheme (NOS). They were assured that the Scheme was expected to be adopted in January. The NOS has not yet been adopted. When will it be approved?

ANSWER:

The National Planning Board will meet on April 3 and again on May 1. BIB anticipates that the NOS will be approved no later than the second meeting. The government of Israel, however, does not directly control the Planning Board, which is an independent regulatory body. Unforeseen problems could delay approval; however, BIB has been assured that this is unlikely.

QUESTION:

With the cessation of Soviet jamming is it necessary to have 16 RFE/RL transmitters in Israel?

ANSWER:

The Israel station will have 16 transmitters, but only 10 will be for the use of RFE/RL. Six will be used by the Voice of America. The total of 16 transmitters are needed to obtain the desirable output and operating flexibility from the station. Ten antennas have already been removed from the design of the station due to the cessation of Soviet jamming.

QUESTION:

This project has been divided into the four major projects outlined on pages 31 and 32 of the justification.

o What is the current status of those contracts?
o The justifications indicate that the large contracts, i.e., #3 for the Building and Facilities, and #4 for the Broadcast System, are to be advertised this quarter. Is that still your plan, and if not, how much slippage do you now anticipate?

ANSWER:

Funding for all four major contracts has been obligated. Pending approval of the National Outline Scheme (NOS), the first three contracts are scheduled to be awarded in this fiscal year, and the fourth in this calendar year.

The project office plans to advertise for Contracts #3 and #4 shortly after the NOS is approved (now anticipated for April or May.)

Authorization and Appropriations

QUESTION:

Senator Rudman and I have introduced SJ Res 244 which will repeal Section 302 [of the Foreign Relations Authorization Act for Fiscal Years 1990 and 1991]. Mr. Forbes, just to be sure that the BIB is a little more savvy than State, please tell us that you support repeal of section 302?

ANSWER: Yes, BIB absolutely supports the repeal of section 302.

Inspector General

QUESTION:

It is appreciated that Public Law 100-504 requires the BIB to have an Inspector General, but is there enough work to keep not only an IG, but an Assistant Auditor busy? State's IG also acts as IG for the Arms Control and Disarmament agency. Couldn't BIB audit responsibilities be done by State's or USIA's IG?

ANSWER:

The strategy developed by BIB's Inspector General will enable a small office (1-3 staff) to effectively carry out the duties and responsibilities of the Inspector General Act. This strategy involves supplementing staff resources with small business contractors on an as needed basis. This will enable the OIG to obtain the needed expertise (personnel, ADP, legal, etc.) without having to maintain a large costly overseas staff. This strategy is consistent with that employed by the majority of the new Offices of Inspector General created by the Inspector General Act Amendments of 1988. BIB believes there is more than enough work to keep an IG and an assistant auditor busy.

Having another agency perform the Inspector General function for BIB probably would not result in any appreciable cost savings. In fact, prior to the drafting of the Inspector General Act Amendments of 1988, the President's Council on Integrity and Efficiency (PCIE) considered and rejected the arrangement of having large agencies and departments perform audit and investigations for smaller federal agencies because it believed such an arrangement would not save money (e.g. the need to reimburse costs) and would limit the function's effectiveness. The Senate Committee on Governmental Affairs accepted the PCIE recommendation, and the Inspector General Act Amendments established separate Office of Inspector General in 33 small federal entities. An exception to this arrangement is State Department's Office of Inspector General which performs this same function for the Arm Controls and Disarmament Agency. This arrangement was established because the Arms Control and Disarmament Agency is a semiautonomous agency with a special relationship to the Secretary of State. BIB, however, is an independent federal agency with a mission separate and distinct from other foreign affairs agencies. This independence is essential to reinforce RFE/RL's mission of serving as a surrogate radio station broadcasting to Eastern Europe and the Soviet Union. Finally, because of RFE/RL's size and complexity an on-site OIG would be required in Munich regardless of which agency performed the function.

QUESTION:

For 1991 the IG requests a full-time secretary. I would think the nature of an IG's work is mainly on site reviewing operations and documents. The typing up of the findings and other secretarial duties would seem to be a minor amount of the workload. Could not the requirement for a secretary be fulfilled by a part-time local hire?

ANSWER:

The primary activity of an Office of Inspector General is to perform on-site reviews culminating into written reports. A full-time secretary may not be necessary particularly in the early stages of setting up an office. In fact, preliminary discussions have been held with the consulate about sharing a secretarial position with another agency if such an opportunity arises.

RFE/RL Technical Modernization

Since 1974 RFE/RL transmitter power has doubled. There have been several technical improvement efforts. RFE/RL is now in the final phase of a $77.3 million transmitter facilities modernization.

QUESTION:

Are the improvements being made at sites that are secured with long-term lease agreements? The Annual

Audit Report showed that there was no lease agreement for the relay station in Spain. Are you still actively pursuing an agreement with the Spanish Government? How important is the Spain location to the transmission of RFE/RL broadcasts?

ANSWER:

Modernization has been carried out at four primary transmitting facilities, three in West Germany, and one in Portugal. In the case of the German sites, two have leases that expire in the year 2001, the other expires in 2007. The lease in Portugal expires in February, 1992, and preliminary discussions for long-term renewal have already begun.

RFE/RL has been operating its transmitting site in Spain without a formal agreement with the Spanish government since March 23, 1976. That is when the last 5 year extension to the original agreement expired. With the exception of the installation of one transmitter in 1986, no significant modernization of this facility has been undertaken precisely because there is no long-term lease agreement.

The facility in Spain is ideally situated for shortwave transmission to the USSR, particularly the Moscow region. No other single available location has the same geographical advantages. The technical importance of this station to the RFE/RL network cannot be overstated.

Despite overtures to the Spanish government in recent years, there has been no expressed interest on their part in concluding a new agreement, although relations between the government and RFE/RL have been excellent. When another long-term lease is finally concluded, the aging transmitters at this site, should be replaced.

QUESTION:

Have the improvements to date resulted in a significant increase in listenership? Is the increase the result of stronger signal or the stop in jamming?

ANSWER:

The audience to RFE/RL has increased since the end of jamming -- in the case of some broadcasting services, considerably. Radio Liberty's audience research department estimates that RL's share of the urban, educated, adult population of the Soviet Union increased from 15% in 1988 to 26% in 1989, in the course of an average week.

Increased listenership is due both to the improved audibility of RFE/RL's broadcasts and to the dramatic political events that have swept the target countries in recent months, making possible innovative new programming and unprecedented access to the target audiences.

In surveys conducted by RFE/RL's audience research department, listeners place reception as one of the most important factors in their decision to listen to Western radio. As competition from domestic radios with good AM and FM reception increases, so have RFE/RL listeners expressions of the importance of maintaining the strongest possible short-wave signal.

When complete, the technical modernization of RFE/RL's transmitter sites, combined with the capacity of the new station is Israel, will enable the Radios to meet the listeners' desire for strong, clear broadcast signals.

QUESTION:

What impact will the modernization program when completed have on staffing? Will it reduce the technical staffing needs and permit additional programming staff to be added to meet the changes brought about by the cessation of jamming and social changes in Eastern Europe and the Soviet Union?

ANSWER:

The new transmitting station at Maxoqueira has been designed to provide for automated operation. That facility aside, there is no relationship between the modernization program and technical staffing needs. The modernization program was intended to enhance the technical efficiency and audibility of transmissions. Technical staffing is driven by the number of broadcast hours and by programming requirements. Adding or reducing program hours fixes operation staff requirements. There will be minimal impact on such requirements as a result of a completed modernization program.

QUESTION:

Are any of the funds earmarked for the design and construction of the relay station in Israel being used to fund staff positions at BIB or RFE/RL?

ANSWER:

Four full time positions and one part time clerical position are funded by the Israel account. These include a General Counsel, a BIB Liaison officer in Israel, a budget analyst, one clerical position to support the BIB Liaison officer in Israel, and a part time clerical position in Washington, D.C. No staff positions at RFE/RL are funded by the Israel project account.

QUESTION:

Are the procurement practices for the design and construction of the relay station in Israel subject to the Federal Acquisition (FAR) regulations? If not, why? If FAR is not followed, what controls have you instituted to meet the FAR principles?

ANSWER:

Although technically the FAR does not apply to grantees of the U.S. Government, as a matter of practice the principles are followed in contracting for the design and construction of the relay station in Israel. These activities are governed by the terms of BIB's grant agreement with International Broadcast Systems, Inc. (IBS) including the OMB Circular No. A-110. Both the Circular and the grant are written to ensure the maximum practical full and open competition.

Programming

QUESTION:

With the end of jamming is it still necessary to broadcast as many hours daily in some of the languages?

ANSWER:

The end of jamming had the immediate effect of increasing RFE/RL listenership in almost all areas, confirming the long-held contention that a large potential audience did not listen to RFE/RL because of jamming. The absence of jamming presented an opportunity to reach many new listeners; a reduction in the number of broadcast hours at this time would be a mistake. In fact, the number of repeat broadcasts is being reduced, and replaced, to the extent staffing permits, with additional first-run programming.

The Russian Broadcast Department, which is on the air 24 hours a day, has more repeat broadcasts than any other service. This is necessary because the Russian audiences are located in 11 time zones across the Soviet Union; "prime time" thus varies considerably from the eastern to the western extremes of the country. Given the size of RFE/RL's Russian staff, it would be impossible to broadcast 24 hours of original programming. They can, however, continue to deliver quality programming -- including live and updated newscasts every hour -- as long as they are able to repeat the best material from previous broadcasts.

In summary: The current schedule should be continued increasing where possible the number of original program hours.

QUESTION:

With the rapid changes and improved communication with the citizens of the target countries, what precautions have been taken to be sure that the steady flow of news and information to RFE/RL headquarters in Munich is valid information that can be broadcast in their newscasts?

ANSWER:

Guidelines for all broadcasts are contained in the RFE/RL Professional Code. This document, prepared and approved by the Board for International Broadcasting, demands adherence to the highest standards of professional journalism.

Information used in RFE/RL newscasts is compiled by editors in the News and Current Affairs Division (NCA) and distributed via an internal electronic system. This is the only material that may be used in newscasts. Broadcast Departments are not permitted to use material in newscasts that they have received independently unless that material has been approved by NCA editors, in which case it is issued on the internal distribution system.

Items received by NCA from wire services, free-lance contributors, or from any other source, which are in the least bit sensitive, or which raise the slightest doubts as to accuracy, must be verified by at least two reliable sources before issuance.

Information supplied to NCA by Broadcasting Departments from their sources in Eastern Europe and the Soviet Union is carefully checked for accuracy and balance before being issued as new items. All such information must be carefully sourced and clearly attributed. If, for example, the information comes from a member of an opposition group in the Soviet Union, that person is identified by name and affiliation.

NCA editors carefully question the Broadcast Departments about their sources, making sure they are reliable and trustworthy. Unsourced comments or appeals for action are not approved for newscasts. When possible, information generated by the Broadcast Departments is also checked against reports by official Soviet and East European media as well as by Western news agencies.

For RFE/RL, being first to report information is less important than being correct.

As state controls have been relaxed on official media in the broadcast areas, reports have become more interesting and informative; they have also become less authoritative and reliable. To compensate, NCA and the Broadcast Departments have fielded their own correspondents in news bureaus that have been or are being opened in Budapest, Warsaw, and Prague.

To assure that RFE/RL's policies are properly carried out, the Broadcast Analysis Department, which reports directly to the Executive Vice President for Programs and Policy, monitors all programs broadcast by all language services. RFE/RL is the only major Western international broadcasting operation that monitors every program broadcast. Any perceived violations of the RFE/RL Professional Code are reported to the Executive Vice President for corrective action.

In addition, in instances when one of the language services is broadcasting into areas in turmoil or crisis, a pre-broadcast screening process has been instituted that requires approval of all items by qualified senior managers before the items may be aired.

QUESTION:

How many additional hours of original programming can you develop without increasing the cost? What would it take to increase original programming by 50 percent?

ANSWER:

Since the cessation of jamming, original programming has been increased by roughly ten percent. Program formats have been altered, making them more appealing through the use of production techniques that would have been inexpedient during jamming. RFE/RL's now getting more information through direct communication with sources in the target areas -- by telephone, fax, mail, and in-country interviews -- than ever before. All this has stretched staffing resources to the limit, making it unrealistic, therefore, to consider any substantial increase in first-run programming at current staff levels.

The Personnel Division has studied the possibility of increasing original programming by 50 percent in each of the 21 Services (23 languages) and concludes that this would require the addition of 246 program positions. If all of these positions were located in Munich and the average salary, benefit load, housing costs, etc., were applied, the annualized additional expense would be $15.6 million. If support personnel and capital expenditures were included, an additional 25 positions and approximately $2 million would be needed, bringing the total to 271 new positions and $17.6 million per year.

These personnel figures are based on VOA studies conducted during the last ten years. They concluded that two to four additional broadcasters would be needed for each 30-minute increase in daily original programming. Given the additional vacation, holiday, and home-leave absences of employees working in West

Germany, this estimate assumes the higher number (four) to be more accurate for RFE/RL.

The support costs referred to above include increases in the number of studio technicians and broadcast analysts as well as additions to the personnel and administration staffs. They do not include the cost of providing office space for the additional staff, nor do they include the cost of studio and production space for the increased programming. There is no additional space in the Munich headquarters building. Rental of space would cost between $1 million and $2 million per year.

QUESTION:

In your budget justification, you state that 1990 will be the year of elections throughout Eastern Europe and that RFE/RL will have a vital role to play to see that all non-communist groups standing for election have an opportunity to reach their countrymen with information about their political programs, unaltered and in full. What steps are in place to be sure that favoritism or partiality is not shown to one party versus another party?

ANSWER:

As many as 40 non-communist political parties are participating in elections this year in each of RFE's target countries. These parties generally divide into two categories: a handful of major parties, and a profusion of small groups. In its election coverage, RFE is apportioning air time accordingly, with a larger equal-time share for major parties, and a smaller equal-time share for those with a small following.

In addition to the normal procedures for ensuring balance and fairness in programming, RFE services covering elections in their target countries keep running tabulations of the air time allotted to each party. Prior to election campaigns, RFE representatives meet with the leaders of as many parties as possible to emphasize the importance of effective press liaison and to establish reliable channels of communication. During the campaigns, a senior broadcast editor in each service is assigned to coordinate election coverage.

RFE is also broadcasting a special program series on democratic election practices in the United States and Western Europe.

QUESTION:

Both Radio Free Europe and Radio Liberty have a strong commitment to research that has provided a valuable source for scholars. Are the research materials made available to outside scholars and readers free of charge? If not, how much is collected from the research works? Is this reflected in the budget? Do the research units seek grants from outside organizations to do specialized research?

ANSWER:

RFE/RL is the preeminent research institution on current-Soviet and Eastern European affairs in the world. Its research efforts are intended to support its broadcasting, but through a variety of out-reach programs the best research products are offered to policymakers, scholars, diplomats, journalists, businessmen, and the general public.

Currently RFE/RL produces several research products.

o Two weekly magazines: Report on the USSR and Report on Eastern Europe. These are provided free of charge to U.S. government agencies. For others, yearly subscriptions cost $150 for one publication and $250 for both. We estimate revenues for 1990 at $350,000 - $400,000, which should nearly cover printing and distribution costs. We have placed strong emphasis on upgrading both the content and the presentation of the weeklies and on enlarging the subscription base. We hope that within one year revenues will cover publishing and distribution costs.

o Daily Report. This daily briefing, created originally as a synopsis of important events in the broadcast areas for in-house use, is now available without charge to all government agencies who request it and to selected policymakers, scholars and journalists. It is delivered five days per week by fax or by mail.

Both selected research from the weekly magazines and the Daily Report are available to subscribers of Soviet, the electronic mail service of the Center for Strategic and International Studies in Washington. RFE/RL has an agreement with CSIS to make these materials available to a wide range of scholars and researchers at no cost to RFE/RL.

RFE/RL also has contracted with private publishers to market special studies and reference works produced by the research units. RFE/RL will earn modest royalties from sales.

In the past, RFE/RL has done little to attract grants from outside organizations to do specialized research. The RFE/RL Fund, does provide substantial grants from the Ford Foundation, the John M. Olin Foundation, the Lynne and Harry Bradley Foundation and others to host a summer internship program for qualified graduate students to work with the research staff and archives. The Fund also offers the John M. Olin Fellowship to a recognized senior scholar in the field of Soviet or Eastern European studies to spend one academic year at RFE/RL to conduct specialized research.

Broadcast Content

QUESTION:

How has the tone of the Radios changed since the walls started coming down? Do the broadcasts accurately reflect the new realities or are we still berating the Communists?

ANSWER:

Yes, the tone has changed. RFE/RL's mission has taken an important turn since the revolutions in Eastern Europe in 1989, and this is reflected in the broadcasts. Many of RFE/RL's programs are instructional, assisting the audiences as they grapple with unfamiliar democratic processes; many programs contain information which because of gaps in the official media is not at the disposal of the audiences; many programs simply inform the audiences of responsible Western comment on events in their countries. RFE/RL is thus making important contributions to the rebirth of democratic institutions in the broadcast areas, serving a much more useful purpose than, as the question reads, "berating the communists."

QUESTION:

Undoubtedly, Russia is going through some stiff economic times. Are we telling the Russian people about that or are we pulling our punches to protect Gorbachev?

ANSWER:

Radio Liberty does not pull punches to protect anyone. For more than three decades, RFE/RL has provided information about the economic ruin of the USSR by the Soviet regime. Today, no Soviet citizen has to be told that their country is an economic basket case and that their communist system, like those of Eastern Europe and elsewhere, is responsible for the problem.

Radio Liberty's broadcasts have contained comment both supportive and critical of Mr. Gorbachev's policies, by providing Soviet listeners with a variety of alternative views on economic development from both Soviet and Western specialists.

Today Radio Liberty responds to the economic crisis in the Soviet Union by offering examples of how successful societies have come to grips with serious economic problems. They are reporting in great detail the movement of Eastern Europe and much of the Third World away from collectivism toward market-based economies.

Board's Budget

BIB's budget justification shows 12 Full-Time permanent positions at $672,000 as well as 2 other than permanent at $157,000 for fiscal year 1991.

QUESTION:

Are any of these employees detailed to the International Broadcast System to oversee the construction of the relay station in Israel?

ANSWER:

There are no BIB employees detailed to International Broadcast Systems, Inc. However, the BIB Liaison Officer in Israel, funded from the Israel project account, provides in-country oversight of the project.

QUESTION:

Would you explain the two other than full-time permanent positions and the justification for their cost?

ANSWER:

Included within the "Other than Full-Time Permanent" category are estimates for any special personnel costs and for intermittent salaries for nine Board members, at the Executive level V rate, and a part-time GS-14 program officer. In FY 1990, the salary for a part-time engineer was also included in this category; not filling that position in 1991 accounts for the decreased costs. In FY 1990, hours totalling slightly over 2 full-time equivalents (FTE's) are attributed to this category; in FY 1991, slightly less than 2 FTE's.

QUESTION:

Are any of the funds earmarked for the Israel relay station construction being used to fund BIB staff positions?

ANSWER:

Four full time BIB positions and one part time clerical position are funded from the Israel project account. These include a General Counsel, a BIB Liaison in Israel, a budget analyst, one clerical position in Israel to support the BIB Liaison and a part time clerical position in Washington, D.C.

RFE/RL Operations

QUESTION:

Let me congratulate you on the timeliness of your Annual Report. The audit statement on page 82 of the report shows that the operating expenses for year ended September 30, 1989, were $160,352,362. The budget justification says the actual expenses for fiscal year 1989 to be $190,860,000. What is the reason for the two different figures for operating expenses? Please reconcile the difference for the total as well as the line items?

ANSWER:

The following shows the reconciliation between the $190,860,000 in the budget justification and the $160,352,362 appearing in the audit statement:

	Budget Justification	Audit Statement
Operating Expenses	$ 182,364,000	$ 160,352,362
Capital Expenses	8,496,000	9,144,426
Total Operating & Capital Expenses	$ 190,860,000	$ 169,496,788
Foreign Exchange Gain	(19,756,000)	
- Contingent Liabilities	(1,296,000)	--
- Deferred Revenue	(312,000)	-
	$ 169,496,000	$ 169,496,788

The audited statement reflects the reduction for exchange gains experienced in FY 1989, year end adjustments for actuarially computed severance, vacation and pension liabilities, and auditor's adjustment for deferred revenue in connection with technical modernization funding.

The line reconciliation follows:

Reconciliation of FY 1989 Expenses

	FY 1989 Column of FY1991 Budget	Allocation of Exchange Gain	Year End Audit Adjustment	Audited Statement
Operating Exp.				
Perm. Emp. Sal.	81,009	(9,530)	869	72,348
Temp. Emp. Sal.	3,521	(348)	-	3,173
Severance	4,653	(869)	1,024	4,808
Taxes	10,516	(1,035)	-	9,481
Pension Program	19,463	(1,592)	(3,487)	14,384
Fringe Benefits	15,839	(1,690)	298	14,447
Total Comp.	135,001	(15,064)	(1,296)	118,641
Admin. Costs:				
Misc. Fees & Prof. Svcs.	11,699	(983)	-	10,716
Travel	1,335	(169)	-	1,166
Rent & Utilities	3,106	(346)	-	2,760
Licenses, Royal. Copyrights	2,025	(191)	-	1,834
Technical	15,659	(1,802)	(977)	12,880
News & Info.	1,439	-	-	1,439
Off. Represent.	48	-	-	48
Conferences	92	-	-	92
General & Admin.	11,960	(1,184)	-	10,776
Tot. Adm. Costs	47,363	(4,675)	(977)	41,711
Operating Exps.	182,364	(19,739)	(2,273)	160,352
Capital Exp.	8,496	(17)	665	9,144
Total Expenses	190,860	(19,756)	(1,608)	169,496

QUESTION:

According to the Annual Report, there are a number of claims and litigation against RFE/RL. What is the nature of these claims and litigation? What is the potential dollar ramification? Do these claims and litigation result from some systematic problem?

ANSWER:

The major litigation pending at this time is a class-action complaint filed in U.S. District Court by the Equal Employment Opportunity Commission alleging that RFE/RL, Inc. has violated the U.S. Age Discrimination in Employment Act (ADEA) by mandatorily retiring U.S. citizens employed in the Federal Republic of Germany.

The ADEA was amended in 1984 to provide extraterritorial application to U.S. citizens working abroad for American organizations so long as the application abroad would not conflict with local law. RFE/RL has a long-standing (dating back to the mid 1970's) provision in its labor contract with the German Unions that sets age 65 as the mandatory retirement age for all employees (regardless of citizenship) employed in the FRG. Mandatory retirement is common in the FRG, and age 65 is the norm for organizations whose employees are represented by the large, national unions that represent RFE/RL's employees.

The company's repeated requests to exclude Americans from the mandatory retirement requirement on the basis of ADEA have been rejected by the Works Council (an organization charged under German labor law with responsibility for enforcing the terms of the labor agreement) and by the unions. RFE/RL has challenged these rejections in German Labor Court five times since 1985, but the judges have ruled against RFE/RL in each case on the grounds that the rights of the Works Council and the unions under German law conflict with and take precedence over the provisions of ADEA or any other foreign law. The company has been obliged to comply with these German court orders or face charges of contempt.

Despite these rulings, in 1988 the EEOC charged RFE/RL with violating ADEA and brought an enforcement action in the U.S. District Court for the District of Columbia. To date, the RFE/RL has spent more than $130,000 (appropriated funds) in legal costs and other direct expenses on the case and hundreds of hours in staff time responding to EEOC discovery and document requests. An ultimate negative determination by the U.S. courts could include a financial make-whole liability of three to six million dollars and would make the continued viability of operating with U.S. employees in the FRG untenable.

This is the only litigation pending which has far-reaching ramifications for RFE/RL. There are several employee cases pending in either administrative or legal proceedings at various RFE/RL locations, but these are single-issue cases which are typical for any organization. Only the ADEA case involves a basic "systemic problem", in the form of a basic conflict between U.S. and German law.

QUESTION:

Are any of the 1,791 employees detailed to International Broadcast System, Inc.? If so, are they on a reimbursable basis?

ANSWER:

No RFE/RL employees are detailed to International Broadcast Systems, Inc. (IBS). Four employees of IBS were previously employed by RFE/RL and have reemployment rights.

QUESTION:

With the budgetary problems that have plagued RFE/RL in recent years, has there been or is there now a hiring freeze? Are people being hired to replace staff lost through attrition? Were these critical positions?

ANSWER:

A modified hiring freeze has been in effect since the beginning of 1990 for all positions at all locations, world-wide. Exceptions are granted only for compelling operational reasons, and with the express approval of the President of RFE/RL. Thus far only six exceptions have been granted and few others are anticipated before the end of the fiscal year.

QUESTION:

Given the changes in Eastern Europe and the Soviet Union, will there be any reduction in the staffing levels?

ANSWER:

The Radios do not anticipate any staff reductions in either fiscal year. The process of democratization in Eastern Europe and the USSR is insufficiently advanced at this moment to allow contemplation of reductions in programming or staff.

QUESTION:

Given that 70% of the operating cost is personnel related, what personnel actions have been taken to reduce or hold down this cost?

ANSWER:

The majority of the company's personnel costs take the form of salaries, expenses and benefits which are regulated by statute (U.S. and/or foreign) or union contract. Much of the annual personnel expenditures are, therefore, inelastic. To reduce personnel costs we must typically rely on hiring freezes (as noted above), a reduction in the use of free lance and contract personnel, and the initiation of improved methods of operation (such as computerization of our broadcast services) to improve the efficiency and productivity of staff. All of these methods are currently being employed to contain costs during this fiscal year.

QUESTION:

On page 22 of the budget you stated that $1.2 million is to restore funds to the German pension plan that were used in 1990 to relocate employees. Is this a common practice to withhold contributions to pension plans, etc., in order to fund other projects? Was the relocation of the employees at the Arabella office unknown at the time of the previous budget planning? What functions are done at the annex office? Are these the only employees or functions in Munich not housed at the main RFE/RL building?

ANSWER:

RFE/RL does not borrow from the pension plan in order to fund other projects.

In FY 1989 when RFE/RL was advised that its Arabella annex lease would not be renewed, management immediately took steps to provide for the costs of the move to new office space without requesting additional funding. Due to holding back on the replacement of retirees and not filling vacant positions in FY 1988, RFE/RL went into FY 1989 with less than a full complement of employees. This resulted in an underspending on the salary line. These funds were used to pre-pay the German Pension Plan in FY 1989. This pre-payment allowed RFE/RL to cover the costs of the move to new office space by reducing pension contributions during the year of the move. The move to new offices therefore has no impact on pension contributions; the FY 1990 reduction is offset by the FY 1989 additional contribution.

The FY 1990 column of the FY 1991 budget reflects the reduction in the pension line with corresponding increases in other line items to cover the cost of the move. The FY 1991 budget restores the $1,200,000 to the pension line and reduces other line items for one-time costs in connection with the move.

The necessity for relocation of employees from the Arabella Office was unknown at the time of the FY 1990 budget request. RFE/RL first learned in December 1988 that its lease for the Arabella annex offices might not be renewed and informed the BIB in April, 1989, of the possibility. The FY 1990 budget was prepared and submitted to the OMB in August 1988.

The functions performed at the Arabella Annex include: Accounting, Purchasing, Engineering, Broadcast Analysis, East European Audience and Opinion Research, Housing, Hungarian Research, and some Computer Support services. Other than a warehouse with two employees in the Munich suburb of Dornach, all other employees are housed in the main RFE/RL building.

QUESTION:

Are all of the employee pension plans fully funded? If not, how much additional funding is needed to fund the plans? Are funds that were previously earmarked for the pension plans being diverted for other uses?

ANSWER:

The RFE/RL, Inc. U.S. Pension Plan is a defined benefit plan and qualified under Section 401(B) of the Internal Revenue Code. As of September 30, 1989, the Plan continues to operate on a sound actuarial basis meeting all of the funding requirements as set forth in existing Employee Retirement Income Security Act (ERISA) regulations. In order for the Plan to be fully funded as of September 30, 1989 a lump sum deposit of approximately $40.5 million would be required.

The German (Deutsche Mark-DM) Pension Plan is also a defined benefit plan which provides old-age retirement, long-term disability and survivor benefits. The DM Plan satisfies the German equivalent of ERISA and is governmentally insured by the Pension Benefit Guaranty Corporation to which RFE/RL makes annual premium payments. The unfunded amount as of September 30, 1989 is $34.9 million.

Funds earmarked for pension plans are not being diverted for other uses.

QUESTION:

The Annual Report says that RFE/RL has entered into numerous agreements for apartments used by certain employees. How many apartments did we rent for $5,869,592 in 1989, who occupied them and why?

ANSWER

RFE/RL has 542 housing units under contract. Housing is provided to employees relocated to the Federal Republic of Germany for employment with RFE/RL. No housing is provided to anyone residing in West Germany at the time of hire, regardless of nationality or position. The definition of eligibility is included in an agreement on housing concluded with three German labor unions in 1982. No German employees receive housing. RFE/RL's housing units are occupied by East European and Soviet (language) employees, U.S. employees and third country nationals. Housing for U.S. and language personnel has been an employee benefit since the inception of the Radios and is a part of union agreements.

Currency Fluctuation

In fiscal year 1977, Congress established a contingency reserve to permit RFE/RL to operate at the approved budget level when currency fluctuation would otherwise reduce the program level.

QUESTION:

After a number of years of experience, what has been the net result of the contingency reserve process? Are the budget planning exchange rates realistic?

ANSWER:

The current contingency reserve process does not adequately deal with currency fluctuation for two reasons: (1) the time required for passage of a supplemental appropriation, which usually falls late in the fiscal year and (2) the quarterly certification of loss process, which means that reimbursement may not be made available for four months after the loss is experienced. An alternative to Point (1) would be the establishment of a Foreign Currency Stabilization Fund or the capitalization of the contingency fund so that supplements would only very seldom be necessary. An alternative to Point (2) would be to change in the regulations governing the Foreign Currency Contingency Fund to permit monthly (rather than quarterly) loss certification and reimbursement.

Since 1977 the Board for International Broadcasting has made grants to Radio Free Europe/Radio Liberty at fixed exchange rates and reported quarterly gains and losses due to exchange rate fluctuations to the Office of Management and Budget. This procedure is in accordance with the regulations governing the Board for International Broadcasting Foreign Currency Contingency Fund.

Section 8(b) of the Board for International Broadcasting Act of 1973 stated (prior to 1984), "The Director of the Office of Management and Budget shall place in reserve and inform the Congress of any amount appropriated under this section which, because of upward fluctuations in foreign currency exchange rates, is in excess of the amount necessary to maintain the budgeted level of operation for RFE/RL, Inc." Funds from currency gains that were so identified were placed in reserve (apportioned as unavailable). At the end of each fiscal year these funds were allowed to lapse unless losses were certified (according to the regulations) during the same fiscal year.

In 1984, Section 8(b) of the Board for International Broadcasting Act of 1973 was amended. The revision provides that at the end of each fiscal year any remaining currency gains are merged with funds previously placed in reserve from gains (or previously appropriated but not obligated to offset currency losses). In this way, a "reserve fund" (of no-year money) was established from currency exchange gains to be available to fund currency losses in subsequent years. This "reserve fund" was depleted by FY 1986, and supplemental appropriations were required in FY 1986, FY 1987, and FY 1988 to cover currency losses. The $19,756,000 FY 1989 exchange gain placed in reserve in the Contingency Fund will be nearly depleted by FY 1990 losses which are projected at $17,392,000.

In order to reestablish this fund so that periodic supplementals are not required for adverse currency fluctuations, a one-time capitalization of approximately $50 million would be required. Subsequent currency gains would replenish the "fund." Without capitalization of this fund, supplemental appropriations will be required for downward currency fluctuations over which RFE/RL has no control.

Budget planning exchange rates are usually established ten months before the budget (fiscal) year begins. The volatility of foreign currency exchange rates in the last four years has made these budget planning exchange rates unrealistic.

The following table for FY 1977 through FY 1989 illustrates the differences between the budgeted and actual exchange rates for each year:

Fiscal Year	Budget Rate	Actual Rate
1977	DM 2.58	DM 2.3664
1978	2.44	2.0711
1979	2.1075	1.8650
1980	1.93	1.78
1981	1.74	2.1415
1982	2.25	2.3545
1983	2.30	2.5224
1984	2.50	2.7787
1985	2.72	3.0884
1986	3.08	2.32
1987	2.53	1.8891
1988	1.99	1.7398
1989	1.64	1.8696

QUESTION:

With the unpredictability of the exchange rate, what additional functions particularly in the administrative and support areas can be performed in the United States?

ANSWER:

Theoretically, all programming functions could be performed in the United States. This would, however, require moving some 1,100 people, (many of whom do not meet U.S. residence requirements), providing office space and some 30 broadcast studios, relocating the West's largest archive and library on Eastern Europe and the USSR, and installing trans-Atlantic communications capabilities. Engineering functions, which account for about 500 people, cannot be relocated. As a practical matter, all those functions that can reasonably be performed in the United States already are.

QUESTION:

What impact has the latest currency fluctuation problem had on the operation of RFE/RL? Has there been any cut in programming or hours broadcast?

ANSWER:

The FY 1990 projected loss of $17,392,000 is covered by the $19,756,000 available in the Foreign Currency Contingency Fund. Foreign currency fluctuation has had no impact on RFE/RL operations and broadcast hours in FY 1990.

QUESTIONS SUBMITTED BY SENATOR WARREN RUDMAN

Israel Relay Station

QUESTION:

Mr. Forbes, you've just returned from Israel where you discussed the proposed Israel Relay Station of the BIB at the Voice of America with government officials. It's my understanding that final Israeli approval of the proposal is subject to adoption of a comprehensive plan and environmental impact statement by the National Planning Board. When Committee staff visited Israel in December they were told approval would be forthcoming by early February. What is the status of this process within the Israeli government?

ANSWER:

The National Outline Scheme/Environmental Impact Statement (NOS/EIS) to which you refer is pending before the National Board for Planning and Building. While approval was anticipated by now, this Board meets only once a month. We now anticipate approval in April or May.

QUESTION:

The Environmentalist Minister of Israel is opposed to the establishment of the transmitting facility. In addition, members of the environmental community in Israel and the United States have expressed serious concerns about the impact of electromagnetic radiation on migratory bird populations that travel through the area. Does the plan for the station meet their concerns?

ANSWER:

The BIB shares the environmental concerns for the region where the station is being constructed and has given tremendous attention to environmental considerations throughout the design phase of the project. Extensive environmental studies at a cost of almost $2 million have been done to address the potential impact of the station on animals, plants and humans in the region.

In order to minimize the potential impact of the project on the surrounding natural environment, a number of alternative antenna layouts were analyzed so that the configuration selected would produce the lowest level radio wave emissions on regions nearby. The principal transmission lines between the antenna system and the transmitter building will be shielded to prevent electric shocks to birds landing on the cables. Migratory bird studies have been done and two more will be done before the station becomes operational. These studies revealed that the radio wave energy in the areas where the birds fly will be at negligible levels. The energy levels emitted from the Israel station measured at the nearest settlement will be approximately 25 times less than the standards established by the American National Standards Institute.

The design of the Israel station has undergone the most rigorous environmental scrutiny and analysis of any station being designed today. BIB is confident that it will be as safe as the transmitting stations operated by RFE/RL for almost fifty years.

Red Archive

QUESTION:

At the headquarters in Munich, Radio Free Europe/Radio Liberty has a great deal of archival data on Russian history, particularly as it relates to early periods of the Cold War. It is my understanding that this material is of great historical significance, but has not been systematically archived. What is the nature of this material? Did you request funding from the Office of Management and Budget to begin archiving this material? What would be the total cost of this project, and what initial funding would be required in fiscal year 1991 to begin the project?

ANSWER:

Most of Radio Liberty's archival materials are stored in two locations: in the Red Archive in Munich and in a suburban Munich warehouse (another valuable source of archival material is the Samizdat section). The bulk of the material has been codified (by subject and person); the rest exists in its "raw" form (e.g., as an intact newspaper or document). It is used heavily by outside researchers (primarily academics) and by the Radio's own staff.

Almost all of this material has been carefully gleaned from Russian/Soviet source materials. The breadth and comprehensiveness of the collection make it unique among archives on the Soviet Union.

The materials exist primarily as paper files. Microfilming of some (about one-third of the total biographic holding) of the biographic materials was done under agreement with an outside contractor in 1986-1987. Since 1984 biographical data has been entered into a database that now has over 250,000 entries. RFE/RL also has microfilm editions of many of the major Soviet newspapers (dating in some cases from pre-1917). But the great bulk of the material is, at this point, poorly protected against wear, aging, loss, and disaster. The diverse nature of the paper collection--in terms of each piece's size, age, color, etc.--makes microfilming (which would provide the best protection) very labor intensive and expensive.

The situation is similar with respect to RFE's archives. RFE has the largest collection of archival materials from post-1945 East European and Baltic newspapers and periodicals. The archives include materials on Albania, the Baltic States, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, and Yugoslavia. These materials included (as of 1986) 12,310 bound volumes, 817 cartons of unbound volumes, and 2,012 reels of microfilm. Some of this material has been indexed and abstracted on file cards or extracted in hard-copy subject files. This collection consists of approximately 880,000 file cards containing information on some 350,000 personalities and about 80,000 subject topics, and 12,000 binders containing hard copy subject files. An extensive collection of uncensored (samizdat) Polish publications was established and is available for historical research. These holdings have been indexed in a computer data base. This data base was conceived as a pilot project; microfilming and computerization of the archive is urgently needed.

RFE/RL estimates that full microfilming and computerization of materials into data bases that can be publicly accessed will cost $10.8 million. This project would take approximately five years, with costs to be spread evenly throughout. BIB's request to OMB for three new data entry positions totalled less than $200,000, and included neither computed hardware or software nor systems or program analysts positions necessary to begin such a project.

Radio Liberty Broadcasts

QUESTION:

Radio Liberty broadcasts in a number of dialects to Soviet Central Asia. Many of these languages are not spoken by Radio Liberty management. How do you determine whether or not the broadcasts that are being made are not inflammatory, or do not mirror the ethnic divisions that exist in the region? Isn't there a danger that some of the expatriate broadcasters may introduce nuances into their programming that encourages or exacerbates unrest? What steps are you taking to ensure that this does not occur?

ANSWER:

Radio Liberty broadcasts to Soviet Central Asia in seven Turkic languages (Uzbek, Kazakh, Turkmen, Kirghiz, Tatar, Bashkir and Azerbaijani) and one Persian language (Tajik). Each of these languages is understood by some member of RL's American management. RFE/RL's broadcasts, including those to Soviet Central Asia, are monitored by a separate Broadcast Analysis Division for compliance with the RFE/RL Professional Code and operation guidelines, both of which expressly forbid encouraging or exacerbating unrest. Of major international broadcasters, only RFE/RL possesses a monitoring facility of this kind.

Radio Liberty recognizes that the broadcast environment in Soviet Central Asia has become more complex and that lapses in approved broadcast practices can occur. In order to reduce the possibility of lapses, RL recently instituted pre-broadcast analysis of broadcast services to Central Asia and other non-Russian regions. In addition, these broadcasts are routinely reviewed by outside specialists to determine if they are unbiased and accurate.

Radio Free Europe Broadcasts

QUESTION:

Radio Free Europe does not broadcast to Yugoslavia, Albania, or East Germany. However, at least two of those countries have experienced the same democratic movements as those nations which receive broadcasts.

How do you account for these democratic movements in the absence of programming from Radio Free Europe?

ANSWER:

Democratic movements in Eastern Europe have arisen primarily from internal popular pressures that vary greatly in cultural, historical, social and economic character from one nation to another. RFE believes that Western broadcasts -- notably but not exclusively its own -- have played an important role in catalyzing these movements, in aiding their coherence and in encouraging their peaceful nature. In Romania, it should be noted, regime forces, not democratic forces, were responsible for the violence of December's revolution.

No identifiable democratic movement has emerged in Albania. A country-wide democratic movement comparable to those in Poland, Hungary, Czechoslovakia, Bulgaria, Romania, the Baltic states and East Germany has yet to coalesce in Yugoslavia, where ethnic and political divisions remain deep. Historically, after Yugoslavia separated itself from the Soviet orbit after 1948 with American economic and other assistance., successive Administrations determined that RFE should not broadcast to Yugoslavia.

East Germany's democratic movement has certainly benefited from the popular radio and television broadcasts of Radio in the American Sector (RIAS), which are comparable to RFE's. Moreover, nearly all East Germans can receive and understand West German television and radio, a unique circumstance in Eastern Europe.

EEOC Litigation

QUESTION:

I understand RFE/RL has been in litigation with the Equal Employment Opportunity Commission (EEOC) for a number of years regarding the application of the Age Discrimination in Employment Act (ADEA) to its employees in Munich. What is the background on this issue? How much in manpower and funds has RFE/RL expended in litigating this dispute? Does RFE/RL believe it should be exempt from ADEA in its overseas operations?

ANSWER:

In 1988 the EEOC brought a class action complaint against RFE/RL in U.S. District Court alleging that the Company has violated the ADEA sine 1985 by mandatorily retiring U.S. citizens employed in the Federal Republic of Germany. It is RFE/RL's position that it must abide by the provisions of German law for its operations in the FRG, and that compliance with the terms of ADEA in this regard would create a clear conflict with the requirements of German law.

By way of background, in 1984 the ADEA was amended to provide extraterritorial application to U.S. citizens working abroad for American organizations so long as the application abroad would not conflict with local law. RFE/RL has a long-standing (dating back to the mid 1970's) provision in its labor contract with the German unions that sets age 65 as the mandatory retirement age for all employees in the FRG, regardless of citizenship. Mandatory retirement is common in the FRG and typical for organizations whose employees are represented by the large, national unions that represent RFE/RL employees.

Since the amendment to ADEA, RFE/RL has repeatedly proposed to the Works Council (an organization established under German law with responsibility for enforcing the terms of union agreements) that U.S. citizens be excepted from the mandatory retirement requirement if they wished to continue working beyond age 65. These requests have been rejected by the Works Council, with the full support of the unions. RFE/RL has challenged these rejections in German Labor Court five times since 1985, but the judges have ruled against the company in each case on the grounds that the rights of the Works Council and the unions under German law conflict with and take precedence over the provisions of ADEA or any other foreign law. RFE/RL has been obliged to comply with these court orders or face charges of contempt.

Despite these rulings, the EEOC charged RFE/RL with violating ADEA and brought an enforcement action in the U.S. District Court for the District of Columbia. To date, RFE/RL has spent more than $130,000 (appropriated funds) in legal costs and other direct expenses on the case and many hundreds of hours in staff time responding to EEOC discovery and document requests. An ultimate negative determination by the U.S. Courts could include a financial liability of three to six million dollars and make untenable the continued employment of U.S. citizens in the FRG.

It must be noted that RFE/RL complies fully with the terms of ADEA in every location in the U. S. and abroad where it is legally possible to do so. At present, the FRG is the only country in which RFE/RL has been unable to comply with the ADEA owing to the requirements of local law. Although it seems clear that RFE/RL's situation in the FRG is exactly the circumstance in which the Congress intended that the requirements of the ADEA yield to local law, the EEOC is using RFE/RL as a test case for the interpretation of the statute. The pending litigation continues to drain financial and human resources from the organization which are needed desperately for program operations during this critical time in Eastern Europe and the Soviet Union.

RFE/RL would indeed welcome legislation to alleviate the current dilemma. One approach in this regard would be an amendment to the ADEA providing BIB the authority to determine when the extraterritorial application of ADEA would bring RFE/RL into conflict with local law. This would resolve the current situation and provide BIB the continuing authority to review and make decisions on situations of this nature that may arise in the FRG or in other current or prospective RFE/RL locations.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

QUESTION:

I am concerned about the nature of BIB's long-term mission. I understand the arguments about the need for continued broadcasting now -- that the revolution in Eastern Europe is only half over; that Communists still control many sectors of the Eastern bloc; that 1990 will be a year of elections and the need for accurate news reporting is critical. But what does BIB perceive its role to be if Eastern Europe develops a free and healthy press -- if, like the U.S., the nations of Eastern Europe develop not only one source of news information but many, ranging from network news to public TV to newspapers and magazines? How will Radio Free Europe compete with that? Or even more basic: should it?

ANSWER:

Radio Free Europe/Radio Liberty was created to fill information gaps, not to compete with free and open media. The Board and management of RFE/RL consistently have stated that the mission of Radio Free Europe/Radio Liberty would be fulfilled when and if Eastern Europe and the Soviet Union became free and open, democratic societies. That process has begun, but is far from complete. Some countries appear likely to achieve it; others face a more doubtful prospect. Several criteria would have to be fulfilled before we would regard our mission as complete in any given country: 1) the government should be freely elected and limited in power; 2) the judiciary should be independent; 3) the military and police should be controlled by the government, not by any political party or foreign power; 4) a thriving free press would have to exist; and 5) basic human rights would have to be respected, including property rights, rights of free speech, assembly, worship, due process, etc. When these criteria are clearly accomplished, and a track record of adherence to these principles established, RFE/RL's mission in any given country would be essentially completed.

QUESTION:

Since jamming ceased one year ago, have there been any cost savings due to lessened interference with first-run broadcasts?

ANSWER:

The cessation of jamming enabled RFE/RL to introduce new programs and to make them more interesting through production techniques that would have been inappropriate during jamming. First-run programming has been increased by about ten percent and listenership has been enlarged considerably. These are the principal benefits realized since the end of jamming, none of which represent cost savings in the operational budget. Approximately $20 million was saved in projected costs for the Israel relay station by eliminating 10 antennas previously needed to overcome jamming.

QUESTION:

What's the status on the Israel Relay Station?

a. Has construction actually begun? If so, how far along is it?

ANSWER:

Construction on the station began in October, 1989 with the relocation of approximately seven miles of Israel Route 90, and the diversion of flood waters around the area to be occupied by the station. In addition, electric power, telephone and water supplies are currently being supplied to the site. Construction under the four major contracts -- Site Preparation and Water Systems, Super High Voltage Substation, Buildings and Facilities, and Broadcast System -- will commence in the third and fourth quarters of 1990.

QUESTION:

b. Of the $250 million that has been appropriated for this project through BIB (not including the $16 million contributed by VOA), how much has actually been expended?

ANSWER:

To date, excluding the $16 million contributed by VOA, approximately $25 million has been expended for this project.

QUESTION:

c. According to a recent article in The Washington Post formal approval by an Israeli state planning commission for the transmitter has not yet been given. Is that your understanding as well? What steps must still be taken by Israel to set the ball in motion?

ANSWER:

The Israeli National Board for Planning and Building has not yet approved the National Outline Scheme (NOS) for the radio relay station. The Board meets the first Tuesday of every month and approval is anticipated in April or May.

QUESTION:

d. According to the same Post article, many environmentalists fear this station will be damaging to this area of the Negev Desert. What environmental impact studies has BIB done and what do they say? Are any other U.S. authorities evaluating the environmental soundness of the project? If so, what do they report?

ANSWER:

Environmental studies were conducted including extensive analyses of the potential impact of the station on animals, plants and humans in the region. There have been no significant findings whatsoever that this station will have a detrimental effect on the environment in the Negev. In addition, one additional study has been agreed upon that would include an autumn and spring bird migratory cycle over the Arava. There is no requirement for U.S. authorities to review the environmental aspects of the station. However, the environmental review process in Israel is quite extensive; almost $2 million has been spent by the U.S. to address the environmental impact of the station on the region.

SUBCOMMITTEE RECESS

Senator **HOLLINGS**. This concludes the hearing.

The subcommittee will be in recess until March 6, when we will hear from the Arms Control Disarmament Agency and the Securities and Exchange Commission.

Mr. **FORBES**. Thank you, Mr. Chairman.

Senator **HOLLINGS**. Thank you.

[Whereupon, at 10:38 a.m., Monday, February 21, the subcommittee was recessed, to reconvene at 9:30 a.m., Tuesday, March 6.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1991

TUESDAY, MARCH 6, 1990

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:34 a.m., in room S–146, the Capitol, Hon. Ernest F. Hollings (chairman) presiding.

Present: Senators Hollings and Rudman.

ARMS CONTROL AND DISARMAMENT AGENCY

STATEMENT OF RONALD F. LEHMAN II, DIRECTOR

ACCOMPANIED BY:

WILLIAM J. MONTGOMERY, ADMINISTRATIVE DIRECTOR
WILLIAM S.S. AMORSO, BUDGET OFFICER

BUDGET REQUEST

Senator HOLLINGS. This morning, the subcommittee resumes our hearings on the 1991 budget estimates. Today, we will consider the requests of the Arms Control and Disarmament Agency and the Securities and Exchange Commission.

We will begin with the budget of the Arms Control and Disarmament Agency, which amounts to $30 million. That is ostensibly $3,425,000 less than the current appropriation. However, the budget proposes the transfer of ACDA's Geneva administrative office to the Department of State. That transfer amounts to $9,175,000, so after you deduct this, we really have a $5,750,000 increase for 1991. The increase is composed of $3,036,000 in built-in changes and $2,714,000 in program changes, the bulk of which is for the external research program.

We are pleased to have with us this morning Dr. Ronald F. Lehman, Director of the ACDA. This is Dr. Lehman's first appearance before the subcommittee. Dr. Lehman comes to this position with hands-on experience, having served previously as Assistant Secretary of Defense for International Security Policy, the Chief Negotiator for Strategic Nuclear Arms, and as Deputy Assistant to the President for National Security Affairs.

Dr. Lehman, we welcome you and your colleagues here, and I appreciate the fact that you really know the subject. As you know, we met over there. I was very impressed with that overview and the detail and grasp that you had.

Let me yield to my distinguished colleague, then hear your statement, and then I have some questions.

Senator **RUDMAN**. I really have nothing to say except to welcome Ron here this morning. We are glad to have you here.

PREPARED STATEMENT

Senator **HOLLINGS**. Your statement in its entirety will be included in the record. You can highlight it or give it in full if you wish.

[The statement follows:]

STATEMENT OF RONALD F. LEHMAN II

Mr. Chairman, it is a privilege to appear before you and the Subcommittee on Commerce, Justice, State, and Judiciary. We look forward to working with you and your distinguished colleagues. We appreciate the strong interest in and support for the Arms Control and Disarmament Agency (ACDA) which this committee has consistently demonstrated.

Although we are optimistic about the possibilities of a new, cooperative era in US-Soviet relations, our efforts in arms control - if they are to serve the security of the United States and its allies and promote enduring peace - must proceed on a realistic foundation. We must not miss opportunities to improve our relationships, but we must also not lose our bearings. Therefore, we continue to search for ways to strenghten our professional contributions to the arms control process. The following budget request is based upon this commitment and active progress in our bilateral and multilateral negotiations in Geneva, Vienna and elsewhere.

The President's FY-91 budget request includes $30,000,000 for continuing ACDA programs. However, before we begin detailed discussions of ACDA's funding requirements, I would like to review ACDA's activities over the past year.

Strategic Programs Bureau

One of ACDA's key ongoing responsibilities is preparation for and support of the Nuclear and Space Talks (NST) which is made up of Negotiating Groups for both the Strategic Arms Reduction Talks (START) and the Defense and Space Talks (D&S). The Strategic Programs Bureau (SP) plays the leading role within the Agency on these issues with the active assistance of other ACDA components. SP also plays a leading role within ACDA and within the interagency process, with the active assistance of other ACDA components, in the development of policies for the U.S. Component of the U.S.-USSR Standing

Consultative Commission (SCC) and for the Special Verification Commission (SVC).

Throughout 1989 the Bureau was intensively engaged in the preparation and coordination of extensive analyses to support interagency START and D&S policy development, and in leading the interagency process that developed specific negotiating instructions for the two Negotiating Groups. In addition, SP provided a senior delegation member, advisors, and support personnel for each Group. The Agency supported the entire NST Delegation administratively and logistically, both in Washington and Geneva. In addition to NST issues, SP played a key role in supporting discussions with the Soviets in the SVC and in diplomatic channels on INF implementation issues and in supporting SCC discussions and ABM Treaty compliance issues. SP lead preparation for three sessions of the SVC. Similarly, SP took a leading role in preparations for two sessions of the SCC and provided an Agency Representative and support personnel to the U.S. SCC Component. The Agency supported the entire U.S. SCC and SVC Components administratively and logistically, both in Washington and Geneva. These requirements will continue into 1990.

START

The START negotiations were extremely active during 1989. Building on progress recorded earlier, the two sides focused on the Joint Draft Text (JDT) of a START Treaty, its accompanying Protocols and Memorandum of Understanding. At the Ministerial meeting in Wyoming in September the two sides made considerable progress on a variety of issues, including U.S. agreement to allow mobile missiles and joint agreement on several features of the regime for verifying such systems. A key breakthrough was achieved at the Malta Summit in December where the two sides agreed at the highest level to attempt to resolve all remaining substantive issues in time for the Summit meeting which is to occur in the U.S. in June 1990.

In the negotiations themselves, many areas of disagreement in the very lengthy package of documents under consideration were resolved in 1989. However, differences in a variety of areas, both major and minor, remain to be settled. Further progress was recorded at the recent Ministerial meeting in Moscow, the ALCMs counting issue was resolved and the Soviets accepted the U.S. declaratory approach to SLCMs. In addition, there was significant progress on the treatment of non-deployed missiles and banning the denial of data from ballistic missile tests. It now appears likely that the two sides will be able to resolve all major outstanding issues by the June Summit thereby improving the prospect for Treaty signature by year's end.

The latest round of talks resumed in Geneva in January and we anticipate that intense negotiations will continue until the Summit. SP Bureau provides several advisors to support the ACDA START Representative in Geneva. Also, SP staff in Washington actively support the ongoing negotiations, including chairing the Backstopping Committee, which is primarily responsible for providing day-to-day guidance to the U. S. START Negotiating Group.

Standing Consultative Commission

Other bilateral arms control activities in 1989 included two regular sessions of the U.S.-USSR Standing Consultative Commission (SCC) in Geneva. These sessions were held from June 14 - July 26, 1989, and from November 1 - December 13, 1989. The next session of the SCC is scheduled to convene on April 4, 1990.

Through discussions in the SCC and in other diplomatic channels, progress has been made toward the resolution of certain U.S. concerns regarding Soviet compliance with the ABM Treaty. In particular, the Soviet violation of the ABM Treaty caused by the illegal deployment of ABM radars at Gomel has been resolved, and the Soviets have stated that they will completely eliminate the Krasnoyarsk radar, a significant violation of a central element of the ABM Treaty. The complete and verifiable elimination of the Krasnoyarsk radar, consistent with U.S. criteria, will remove this violation. In the SCC, the U.S. also addresses other issues of concern related to compliance with the ABM Treaty.

ACDA's role in these activities is one of leadership in, preparation for, and conduct of, the meetings. By chairing the Backstopping Group in Washington during the preparation phase and meetings themselves, ACDA professional staff members lead the interagency work on policy formulation and follow-up instructions. In addition, ACDA provides members and support staff for the bilateral sessions. The Office of the U.S. SCC Commissioner is situated in ACDA and is provided full-time continuous support. These requirements will continue in 1990.

Multilateral Affairs

The Multilateral Affairs Bureau serves as the focal point within the U.S. Government for policy preparation, backstopping, and logistical support of the chemical weapons negotiations and other issues in the Conference on Disarmament (CD) in Geneva, and for the various disarmament fora of the United Nations. The Bureau also plays a key role in the various fora on conventional arms control in Europe, for nuclear testing talks, and the Open Skies negotiations.

Conference on Disarmament

The primary activity at the 40-nation Conference on Disarmament is the negotiation of a global, effectively verifiable ban on chemical weapons. Work at the CD has intensified in 1989 as the Committee on Chemical Weapons divided itself into five working groups addressing various aspects of the CW convention. Another aspect of USG support for the CW negotiations is the conduct of national trial inspections. The CD agreed in 1988 that each country should undertake such national efforts in an attempt to develop agreed inspection procedures for the treaty. The U.S. held one national trial inspection in 1989; another will be held in 1990. At some point, members of the CD will undertake multinational trial inspections.

Supplemental to the multilateral negotiations, the United States and the Soviet Union have continued to intensify their bilateral discussions on a CW ban. Three bilateral negotiating sessions were held in 1989, and at the Wyoming Ministerials in September, our two countries signed a bilateral Memorandum of Understanding providing for a data exchange and series of reciprocal visits to chemical weapons facilities. The first visit will occur in June. The two sides are currently working on a second bilateral agreement on CW destruction, whereby the two sides would undertake to destroy chemical weapons down to equal low levels. The President has announced his objective to have this agreement ready for signature at the June Summit. The MA Bureau has stretch its limited manpower resources to the limit to sustain the unprecedented level of activity in the bilateral and multilateral CW negotiations.

Conventional Arms Control in Europe

Political developments in Eastern Europe and the Soviet Union have increased the urgency of concluding an agreement at the Vienna negotiations on Conventional Armed Forces in Europe (CFE). Assuming a CFE agreement is ready, a Summit meeting of European states will take place later this year to sign it. The MA Bureau takes the lead for ACDA in US Government policy-making and backstopping of these negotiations, and provides both senior-level and expert-level participation in the U.S. Delegation. Other offices within ACDA also provide specialized assistance to the U.S. Delegation. The MA Bureau similarly acts as ACDA's agent in supporting the negotiations on Confidence- and Security- Building Measures negotiations in Vienna, and provides expert-level representation to the US Delegation.

Nuclear Testing Talks

The MA Bureau, supported by staff from the VI Bureau, takes the lead for ACDA in interagency development of policy for the U.S.-Soviet bilateral negotiations on improved verification measures for the 1974 Threshold Test Ban Treaty (TTBT) and the 1976 Peaceful Nuclear Explosions Treaty (PNET). The President has indicated his objective of signing these verification protocols at the June Summit. The negotiations have been in near-constant session throughout 1989 and at present. The MA Bureau heads the interagency backstopping committee in support of these negotiations.

Open Skies

Pursuant to the President's initiative in May 1989, members of NATO and the Warsaw Pact met in Ottawa in February 1990 to begin negotiations on a treaty on Open Skies, whereby each participating state will be permitted overflights of other countries by unarmed surveillance aircraft. A second session of the conference will be held in Budapest, Hungary starting in April. Intended to enhance confidence and openness among states, the Open Skies treaty will also be a useful adjunct for assisting in the verification of other arms control agreements. The MA Bureau takes the lead within ACDA for policy development and backstopping of these negotiations.

Other International Conferences

ACDA is traditionally in charge of review conferences and other special multilateral conferences held pursuant to arms control agreements. In 1989, the MA Bureau managed U.S. participation in the Third Review Conference of the 1972 Seabed Treaty. Throughout 1989 and continuing at the present, ACDA is also managing US preparation for the amendment conference of the 1963 Limited Test Ban Treaty which one-third of the Parties have requested. The three Depositary Governments of the LTBT, the U.S., the U.K., and the USSR, have arranged that this amendment conference be held in January 1991. A Preparatory

Conference will probably be held sometime in 1990. In addition, the MA Bureau is already preparing for, and will take the lead in managing U.S. participation in, the next review conference of the 1975 Biological Weapons Convention, which is scheduled for 1991.

Nuclear & Weapons Control Bureau

Nuclear Weapons Nonproliferation

Preventing the spread of nuclear weapons to additional countries is a fundamental objective of U.S. national security policy. ACDA contributes actively and with a broad range of expertise to the development and implementation of policies designed to prevent nuclear weapons proliferation. ACDA's Nuclear & Weapons Control Bureau has played a key leadership role in this area, together with other senior U.S. officials. I would like to describe the central elements of U.S. nuclear nonproliferation policy in which ACDA is involved.

ACDA is the lead agency in the Executive Branch with regard to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), now with 140 signatories. ACDA seeks to ensure the widest adherence to and the most effective and efficient implementation of this important arms control treaty. Key to the continued success of the Treaty is the technical assistance provided to many countries in the peaceful application of nuclear energy. Through an ACDA-generated data base, this U.S. technical assistance is documented for each country.

Later this year, the fourth NPT Review Conference will occur. ACDA is actively engaged in preparations for the Conference and chairs an interagency group that oversees US preparations for the Review Conference. Two Preparatory Committee meetings have been held and the third will occur in late March and early April. Our preparations also include consultations with our Allies, the Soviets, and neutral and nonaligned countries party to the Treaty.

ACDA also has had the lead within the Executive Branch for the Treaty of Tlatelolco, a Latin American initiative aimed at creating a nuclear-weapon-free zone in that part of the world. Twenty-three Latin American states are party to this Treaty and have forsworn the acquisition of nuclear weapons. The U.S., as a party to the Treaty's two Protocols, believes its entry into force for all states in the region would make a major contribution to the international nonproliferation regime and to increased security and stability in the region.

The International Atomic Energy Agency (IAEA) is a central element of the nonproliferation regime by implementing a unique multilateral system of safeguards designed to guard against the diversion of nuclear material to military uses. It also channels technical assistance to developing countries in the peaceful uses of nuclear energy. In addition, the IAEA has recently played an increased role in international cooperation in nuclear safety matters. ACDA's support for the IAEA, including the involvement of our staff in IAEA programs, is aimed at strengthening the Agency's ability to serve vital nuclear nonproliferation interests.

ACDA plays a major role in the area of domestic and international nuclear export control. Together with other agencies, ACDA is continuing its efforts to review carefully all nuclear-related exports and to thwart the illegal procurement of U.S.-origin goods for foreign nuclear programs. ACDA also participates actively in efforts to update international export control lists and to consult with other countries on national export control systems. With respect to "emerging supplier" countries, ACDA staff have been working with other agencies to promote responsible export policies by these new nuclear suppliers.

ACDA staff have played and will continue to play a leading role in the development of safeguards concepts applicable to increasing foreign use of plutonium. ACDA staff also will continue to work with the IAEA and other nations to develop physical protection and other institutional measures to reduce the proliferation risks associated with plutonium use.

ACDA continues to support efforts, as established by the President in 1981 and by Congress through the Omnibus Antiterrorism Act of 1986, to reduce international commerce in weapons-usable nuclear material as a means to reduce the risk of weapons proliferation and nuclear terrorism. ACDA is concentrating on promoting wider adherence to established international guidelines, such as the Convention on the Physical Protection of Nuclear Materials.

The effort involved in monitoring the nuclear programs and policies in countries of proliferation concern is considerable. Together with other agencies, ACDA is continuing to work to develop and implement policies aimed at encouraging these countries to take concrete steps to reduce the risk of nuclear weapons proliferation. Such steps may include monitoring of national nuclear interests and capabilities, bilateral agreements or understandings, evaluation of increased nuclear proliferation risks associated with new technologies, expanded coverage for IAEA safeguards, and acceptance of the NPT, or, in the case of Latin America, acceptance of the Treaty of Tlatelolco. Clearly, the spread of nuclear weapons to additional countries and regions of the world would seriously endanger the security of all states.

Conventional Arms Transfers

ACDA continues to meet its Congressionally-mandated responsibilities of reviewing proposed conventional arms transfers and military assistance to determine whether they will contribute to an arms race, increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements. ACDA also participates in the development of proposed annual security assistance programs to ensure that arms control considerations are fully taken into account.

ACDA is currently staffing the U.S. delegation to the United Nations Experts Study on Measures for Promoting Greater Restraint, Openness and Transparency in International Arms Transfers. ACDA has also initiated, and will continue to pursue, new policy developments related to proliferation of advanced military capabilities such as aerial refueling systems and nuclear-powered submarines.

Missile Nonproliferation

Complementing our nuclear nonproliferation functions, ACDA has played an active role with other Executive Branch agencies in the development and implementation of policies concerning the control of nuclear-capable missile delivery systems and missile related technology. Since the establishment of the Missile Technology Control Regime (MTCR), in April of 1987, the United States and its partners have steadily increased their efforts to stem the proliferation of ballistic missile technology around the globe, with particular emphasis on regions of tension and conflict. Several members of the Regime have reformed their legal and enforcement systems to their undertakings under the MTCR, and efforts to expand the Regime are underway.

The United States has initiated missile nonproliferation dialogues with both the USSR and China, and will continue to work with both of these important missile technology supplier countries to constrain proliferation. The efforts of the MTCR partners to interdict the flow of Western technology to several specific Third World projects of concern have showed some progress. The United States has also initiated dialogues with key states in the Middle East and South Asia aimed at regional, political, and arms control steps to arrest missile proliferation.

Chemical Weapons Nonproliferation

The United States Government continued to focus attention in 1989 on chemical weapons proliferation and use. Throughout the year, ACDA played a leading role in various international conferences, multilateral meetings, bilateral meetings, and interagency deliberations on CW nonproliferation. Following the departure of the Secretary of State from the Paris CW Use Conference, the ACDA Director led the US delegation. In September, at the Canberra Government-Industry Conference Against Chemical Weapons, Ambassador Max Friedersdorf and expert ACDA staff provided valuable assistance to the delegation. In 1989, NWC personnel were instrumental in developing and implementing initiatives to address CW proliferation and use at the Australia Group meetings and at the fifth round of U.S.-Soviet CW nonproliferation bilateral consultations. ACDA will continue to initiate and support U.S. and international efforts to prevent the dangerous spread and use of CW.

Economic and Defense Analysis

ACDA's economics and defense analyses programs support the full range of Agency responsibilities and functions. The economics dimensions of arms control proposals and agreements are analyzed and reported upon. Among the problems currently being considered by ACDA's economics staff are the impact of military spending on economic growth of developing countries, the effects of cutbacks in military spending of developed countries, the prospect that military cuts in the Soviet Union could be reversed, and ramifications of worldwide defense resource allocation decisions.

ACDA maintains military and economic data on 145 nations; these data are used in research activities and are reported in the annual editions of World Military Expenditures and Arms Transfers. ACDA's military force and weapons analysts prepare the Administration's annual statutorily-mandated Arms Control Impact Statements document, which is provided to the Congress in both classified and unclassified forms. The ACDA division responsible for the above activities also performs the annual task of preparing and publishing the ACDA Annual Report to The Congress, a report which includes information on US arms control activities during the calendar year.

Verification and Intelligence Bureau

The VI Bureau, led by ACDA Assistant Director, Dr. Manfred Eimer, has a large and growing responsibility within the arms control process. During the negotiation of arms control agreements, the VI Bureau plays the central role within ACDA and the US Government for the development of effective verification regimes. In this process, the Bureau has played the lead in verification research efforts. During the implementation phase of arms control agreements, the VI Bureau is responsible for the assessment of compliance.

The sheer physical and manpower requirements associated with these responsibilities has grown rapidly over the past few years, and this growth will continue as treaties now under active negotiation enter into force. Moreover, we anticipate that in the coming years the arms control process will increasingly shift its focus from the U.S.-Soviet bilateral arena to the multilateral arena, posing a new set of challenges for verification and for the VI Bureau.

In negotiating an arms control treaty, every effort must be made to maximize the ability of the United States to verify subsequent compliance with the agreement. The VI Bureau thus has the responsibility of advising the ACDA Director and the President in drafting the most advantageous verification regimes possible. In this process, the Assistant Director and VI staff participate in a multitude of interagency groups within the NSC structure, including the Arms Control Policy Coordination Committee and its subcommittees on Verification and Compliance and INF Treaty Implementation, and chairs important permanent working groups. The VI Bureau also regularly advises U.S. negotiating groups directly on verification issues.

In support of these efforts, the VI Bureau continues to conduct studies to improve the verifiability measures of future agreements. ACDA is working with other agencies to incorporate the results of these measures into the START, CFE, CW, and Nuclear Testing arenas. Our research into the verification implications of a Defense and Space Treaty are nearing fruition, as is our research aimed at achieving an overall picture of the value of various on-site inspection regimes for specific arms control verification applications.

These research efforts have been strengthened by the formation of a new interagency group to improve coordination of various US Government research efforts in the area of verification technologies for both NTM applications and on-site inspection. A representative of the VI Bureau co-chairs this group.

The VI Bureau also is responsible for the preparation of reports pursuant to Section 37 of the Arms Control and Disarmament Act. In response to this requirement, VI prepared a comprehensive, classified assessment of the verifiability of the INF Treaty in 1988. We anticipate that such assessments will be prepared to address each of the treaties currently under negotiation. These new treaties pose additional challenges that the INF Treaty did not pose and will require a major effort by the VI Bureau.

Once agreements enter into force, the VI Bureau is responsible for the conduct of annual assessments of compliance and for the preparation of reports to the Congress on this subject. The VI Bureau, in coordination with the appropriate agencies, prepares for the President both the President's Report to Congress on Soviet Noncompliance with Arms Control Agreements, mandated by PL 99-145, and the report on Adherence to and Compliance with Agreements prepared pursuant to Section 52 of the Arms Control and Disarmament Act.

In the coming year, the VI Bureau will place additional emphasis on arms control treaty implementation. Cooperative measures incorporated in each of the treaties currently under negotiation will enhance verifiability. These measures, which include data exchanges and on-site inspections of various kinds, will require a major effort to provide implementing guidance, oversight, and analysis of the results. To facilitate this process, an ACDA Treaty Implementation Panel has been established. The Panel is chaired by the Director of ACDA, or in his absence, the Deputy Director. The Assistant Director for Verification and Intelligence serves on the Panel along with the General Counsel, the ACDA-appointed Principal Deputy of the On-Site Inspection Agency, the US Commissioners to the Standing Consultative and Special Verification Commissions, and as appropriate, the other ACDA Assistant Directors. VI's new Deputy Assistant Director, Dr. Edward Lacey, is the Executive Secretary of the Panel. In that capacity, he is primarily responsible for the direction of ACDA's treaty implementation efforts and for interfacing with the Principal Deputy and Staff of the On-Site Inspection Agency.

Operations Analysis and Computer Support

Within the VI Bureau, the Operations Analysis Division made substantial improvements to ACDA's computer capabilities over the past year. The obsolescent ACDA main-frame computer was replaced by a new system having six times the computing capacity of the former system. Additionally, ACDA analysts were provided with individual desk-top terminals to allow stand-alone computing or direct access to the main computer's large data base, as required.

ACDA's ability to perform strategic and conventional arms control modeling also was enhanced this past year through the acquisition of new computer models and data bases, and the upgrading of existing software packages. In the coming year, the Operations Analysis Division expects to devote additional computer resources to analyzing the potential effects of various arms control treaty options on strategic and conventional capabilities and on East-West stability.

In FY-91, ACDA's information retrieval data base will be further upgraded. This data base, which permits rapid, on-line access to arms control negotiating records, treaty texts, external research studies, and other arms control studies, is used widely throughout ACDA and is regularly provided to other US Government agencies and departments. Additionally, this year, draft treaty text and negotiating record data bases are being installed on personal computers in Geneva and Vienna for prompt, on-scene use by the U.S. START and CFE delegations.

Support Functions

In FY-91, ACDA will no longer be providing the primary administrative support to the numerous delegations overseas. This function will be carried out by the Department of State as is the typical management practice worldwide. This change will enable ACDA to devote its authorized resources exclusively to the substance of arms control and non-proliferation without the distraction and fiscal drain of purely administrative tasks.

ACDA will continue to update its office automation capability, which has been well received and utilized by ACDA personnel and has significantly enhanced the capacity and output of our limited staff.

In FY-88, ACDA's authorization provided for an ACDA Inspector General (IG). The IG staff has been familiarizing themselves with ACDA operations and has scheduled an active agenda for FY-91. In cooperation with the IG, management will continue to review Agency operations and programs to ensure sound management practices within ACDA.

FY-91 Request

Mr. Chairman, at this time I would like to submit to the Subcommittee ACDA's FY-91 appropriation request.

Last fall, when we started the FY-91 budget process with OMB, we worked to determine the priority for ACDA's mission, competing with other Agencies for funding within the framework of the President's budget submission. The result was a positive endorsement of ACDA's role in the arms control process from OMB and the Administration. Consequently, we were able to obtain approval for our current budget request.

As previously mentioned, ACDA is requesting $30,000,000 for FY-91. After backing out the overseas administrative support expenses from the current year's budget, this request represents an increase of $5,750,000 or 23.7% over our FY-90 funding level of $24,250,000 for ongoing ACDA activities.

As you know, more than 50% or $16,128,000 of ACDA's budget goes for salary and benefits. These funds provide for 228 FTE positions as well as additional reimbursable positions with personnel from other agencies, primarily the Department of State and the Department of Defense. This component of ACDA's budget includes one of the largest increases, $2,244,000, which provides for the addition of 10 new positions, the annualization of the current year's pay raise, the new senior level pay raise and other pay adjustments.

The other major increase as identified in our budget request is for external research. This request of $2,000,000 represents a ninefold increase over the FY-90 level of $200,000. These funds will be utilized to support research efforts focusing primarily on verification, particularly on chemical weapons.

ACDA is requesting $500,000 for a Sensitive Compartmented Information Facility (SCIF) that will meet the Agency's requirements for protection and use of Sensitive Compartmented Information (SCI).

A $264,000 increase in travel is being requested to provide for the increased pace of arms control negotiations. An increase of $110,000 in office automation requirements will be needed to continue our networking expansion throughout the Agency. Additional increases for support services, which we receive from other agencies, such as rent, printing, mail and maintenance and repair services make up the remainder of our request.

Also included in our request is $55,000 for representational funds. These funds are used primarily for informal contacts with representatives of foreign countries both here and overseas.

I realize that our FY-91 request for continuing ACDA programs is significantly higher than the current year's level. But in light of the escalating amount of negotiating activity with the Soviets and other countries and the other programs which ACDA is mandated to carry out, I believe that this level of funding is essential to our Agency's mission.

In closing, I ask for your support, Mr. Chairman, in obtaining Congressional approval for ACDA's FY-91 appropriation request. I, my staff and the members of our Geneva/Vienna delegations look forward to working with this Committee on the crucial and important arms control issues which we face today.

SUMMARY STATEMENT

Mr. LEHMAN. Mr. Chairman, I recommend we just put it in for the record. We know each other, and things are happening so fast that I am not sure what I wrote yesterday applies today.

Senator HOLLINGS. That is true.

Mr. LEHMAN. As you can imagine, this is a very satisfying time for us in the Arms Control and Disarmament Agency and for me personally, as well. Across the board, the agenda is broad. It is dynamic and it is successful.

We are doing quite well. When one looks at what our agenda was, I think it is safe to say that we are in the end game of the Strategic Arms Reduction Treaty. How fast it will come to closure remains to be seen.

The President and President Gorbachev have sought to reach agreement on all the major issues by this June, and I think it is likely that we will achieve that. That doesn't mean that we will be able to conclude the treaty. As you saw in Geneva, translating agreements in principle to agreements in detail can be a tough, difficult process.

But let me say the last two foreign ministers meetings between the United States and the U.S.S.R. have been extremely successful. Just a few weeks ago, we returned from Moscow, where we were able to put to rest a number of longstanding differences on, for example, counting rules on air launched cruise missiles, which was a central issue, and we are very pleased with the outcome. We think it is a good, fair, and just outcome on that issue.

We were able to make considerable progress on an item of great interest to the President. He proposed to General Secretary Gorbachev that the Soviet Union pick up on his United Nations General Assembly proposal for a bilateral destruction agreement on chemical weapons, and in Moscow, the Soviet Union agreed. In fact, we have bilateral negotiations going on in Geneva this very day, and we are making considerable progress on a bilateral agreement, which could well be concluded by the June summit.

We have been, as both of you well know, negotiating inspection protocols to the Threshold Test Ban Treaty and the Peaceful Nuclear Explosions Treaty, and there is every reason to believe that both of these protocols will be completed so that they can be signed at the summit.

There are so many areas where we have made progress and people expected it. But I think the area where we have made the most progress, where it was not expected, is in the conventional arms area. After 14 or 15 years of MBFR, people had begun to expect and accept a rather slow pace of negotiations. I remember that during the mandate negotiations on these new conventional talks, I was speaking to one of my Soviet colleagues informally, and I said, "Well, if we conclude this mandate, how long do you think it will take us to get a treaty?" And he said that it was only his personal opinion, but maybe 7 years after the conclusion of MBFR. Well, it looks like it might be as little as 1 year, and obviously, that is very gratifying. But the point I would like to emphasize, and I have tried to emphasize in my statement, is that arms control and political changes work together and reinforce each other. As we have designed our arms control initiatives in Europe, we have been very mindful of that.

Last year, I had the privilege of going with Secretary Carlucci to the Soviet Union. I stood underneath a Blackjack bomber and looked up into the bomb bay and saw the air launched cruise missiles sitting in that aircraft. Later I asked a reporter with Lzvestia what he thought was the impact of these visits and the fact that we have American inspectors around the missile assembly facility at Votkinsk; the fact that, under the Stockholm agreement, we have western observers at Soviet military exercises, and he said to me, "It has been tremendously helpful. We say to our officials, 'If you can show these things to the Americans, why can't you show them to your own people?' "

The point I would make is that in our arms control efforts, a major theme that we have been pushing through our proposed verification measures, comparability measures, and data exchange, is military glasnost. Military glasnost helps political glasnost, and political glasnost helps military glasnost, and I think that in our own little way, we have contributed to the types of changes that are taking place.

But the change is rapid; we have to keep our ears open. We are consulting ever more closely with the Eastern European countries as well as with our allies to make sure we understand what is, in fact, happening.

There is tremendous diversity developing in Eastern Europe, and the Warsaw Pact no longer speaks with a single voice on all issues. I think this has been a very positive development, and so I look forward to working closely with the two of you and with the committee and the Congress on these issues.

ACDA, I believe, plays a critical role in this area. We bring a lot of experience; we bring a lot of institutional memory; we bring a lot of expertise to this process, and so it is a very exciting time for us. But the workload is tremendous. We are, basically, working night and day. As you correctly pointed out in your statement, while our overall budget level looks lower because of the transfer of the Geneva administrative function, in fact, we have in the administration budget requested a 23.7-percent increase in our actual operating funds, and we have requested 10 more people.

I would urge favorable consideration of this request because we really need the resources. We are a small agency, but it is a very important job that we do.

Thank you, Mr. Chairman.

SOVIET TROOPS IN EASTERN EUROPE

Senator **Hollings**. When you state that arms control goes hand in glove with the political machine, there is that school of thought to the effect that: Look, wait a minute; in arms control, let's don't substantiate the political position of the Soviets with respect to this mutuality and this balanced reduction approach whereby we justify the continuation of Soviet troops within the Warsaw Pact countries.

I know you read about it. We hear about it. The suggestion, of course, is that we go our way and we use what troops are necessary there, but we don't, by giving position, authority and official recognition of the Soviets' continuation of troops in Warsaw and the Warsaw Pact by the mutuality or the mutual balance forced reduction approach.

You say that is now outdated, a mistake and a wrong strategy. What is your comment?

Mr. **Lehman**. Well, Mr. Chairman, our view is that nothing that we are undertaking in our arms control effort is designed to legitimize Soviet forces in Eastern Europe. The ceilings on stationed forces and on United States and Soviet forces that are under negotiation in Vienna are exactly that. For the Soviet Union, they would be a ceiling, but if the Western European countries don't want them on their territory, they would have to leave.

Senator **Hollings**. How about the United States?

Mr. **Lehman**. It is the same, but the difference is that——

Senator **Hollings**. We better get ready to go.

Mr. **Lehman**. I haven't seen our allies urging us to leave; on the contrary.

Senator **Hollings**. You haven't? We almost just had, in January, Operation Reforger, that exercise, and it was always in the room with computers almost. We are hiding right now. The allies might not be officially doing it, but you know, Senator Rudman and I, we saw way back in 1970 when France was hollering, "Yankee go home" and France withdrew from NATO. That is accelerating. I will guarantee you by February or March of next year, that crowd hollering "Freedom" in Leipzig Square, is going to be hollering "Yankee go home."

Mr. LEHMAN. Some of those voices are already hollering now.

Senator HOLLINGS. And they are growing in numbers.

Mr. LEHMAN. That may well be, and it is clear that as the military threat changes and as the political situation changes, clearly, there will be a lower profile and reduced forces.

But we recognize that in our budget request that there is going to be decreased activity in a number of areas, and in some ways, that will help alleviate some of these concerns over exercises, low-level flying, things of that nature.

But I think that as of now, the predominant voices that we are hearing, are those that would like to keep a significant American military presence in Europe, albeit at a reduced level.

GENUINENESS OF RECENT EVENTS

Senator HOLLINGS. There is that school that doubts the sincerity of the whole thing. They talk about how they are stepping up their activity in Angola; they are still shoving in Afghanistan; still giving that aid, of course, to Castro in Cuba. What about it? From your expert dealings with them, is it genuine, as you see it? Do they really have glasnost, let's say, arms glasnost, which is your discipline?

Mr. LEHMAN. My own view is that the types of political changes that are underway are not completely reversible. It may be possible that there could be setbacks.

But in the end, we have to recognize that the Soviet Union is not a democracy. The Soviet Union has had interests in supporting political groups in certain states around the world. They may well be questioning the cost of their commitment overseas in terms of hard currency, but nevertheless, they maintain many of those commitments.

They seem to show more flexibility than we have seen in the past, but they have not simply written off their friends overseas. I think it is a bit too much to say that their policies will switch radically from one direction to another, but rather, they only are concerned about the cost of some of their overseas commitments. They obviously are preoccupied with dealing with internal problems, but whether that means that they are going to withdraw from the rest of the world and their activities there, I think that is not the case. But I do think you are seeing, already, reduced activities by them.

Senator HOLLINGS. There has almost developed an army of Senators going to Geneva to study arms control. I don't know about the throw weights of the missile, but if you close that office and move it back to the Department of State, it will have a definite effect on the heavyweight of Senators with all that eating out there in Geneva—[laughter]—which would be a good move.

Senator RUDMAN. I was planning on taking a trip there. I don't know about it now.

Senator HOLLINGS. We don't even have a reason to take a trip there.

Let me yield to my distinguished colleague and we thank you for your statement. We need to increase. This is where the peace dividend is. Heavens above, we have to step up the National Endowment for Democracy, get the newspapers going to have the free elections in Eastern Europe. In arms control we need more help there. This is peanuts compared to where we can find money right now on the arms themselves.

Senator Rudman.

JCS SUPPORT OF START

Senator RUDMAN. Thank you, Mr. Chairman.

I find it a very interesting that a hearing is going on this morning contemporaneous with this one before the Armed Services Committee before the House with General Chain, the head of the Strategic Air Command. General Chain is quoted in the papers this morning saying that we had been fairly consistent, and that is that if the Congress were to fail to fund some number of the B-2 Stealth bomber and simultaneously were not to go forward either with the rail mobile MX or with the mobile Midgetman, then he believes that the Joint Chiefs of Staff ought to reconsider their support for START in its present configuration. He didn't say present configuration, but I assume that that is what he meant.

Obviously, it would have to be a different configuration. I have really a number of questions on that base supposition and that statement of General Chain's. I think I will take them two at a time. It will be easier that way.

First, do you agree with that; and second, if you agree with that, why?

Mr. LEHMAN. I do agree with that. You want to go back and look at the record. The chiefs have been very clear on their positions throughout the history of these negotiations, and that is that the treaty works with our modernization program to provide enhanced stability and reduced levels. They made clear all along, for example, the central role of the B-2 bomber. On the mobile ICBM question, I should point out that the President, in his meeting with the congressional leadership last year, made clear his position that if we are going to permit mobile ICBM's, we have to be sure we are going to have such a program. His support for that change in our position made it clear that it was contingent upon congressional support for the mobile missile program.

Now, why is that the case? Well, the answer is, I think, relatively simple, and that is that you have a national strategy that says that under various conditions you have to be able to perform certain things. We had an approach to arms control since 1969, a bipartisan approach that emphasized the distinction between fast-flying and slow-flying systems. In fact, START was designed to make possible an increased reliance on more stabilizing, slow-flying systems. That means a bomber force.

But the Soviet Union has never been willing to agree to limits on air defenses. Therefore, START is very much dependent on having a viable bomber force. I know some people will point to the START counting rules that gave penetrating bombers and say, "So it's START that created the need for the B-2."

That is not quite right. It is the other way around. It is the B-2 that made possible this stabilizing structure in START. The chiefs have made that clear, and every analysis I have seen in my various capacities emphasizes that fact.

So that was the understanding all along. I think no one expected that the program at this stage would have the amount of opposition that it had, and that has caused grave concern.

ALTERNATIVE BOMBER FORCES

Senator **RUDMAN**. Let me, then, follow up with questions three and four, I guess. Taking that statement as being not only accurate, which it is, but being correct, which I could argue, but accurate, yes, correct, in terms of point of view, not in terms of factual point of view, let's just take it a step beyond.

If, in fact, there is substantial disagreement here in the Congress as to how that delivery should be made of what had been the manned bomber delivery to what I have been calling lately Triad and one-half, which is simply manned bomber B-1, probably, which we have major problems with penetrating right now, carrying very advanced cruise missiles to standoff points within classified distances. You know the distances I am talking about.

Could we not, at that point, say that we have fulfilled our essential philosophy of the structure of the START talks coming back to the late sixties and still fulfill that mission in another way with a technology that in the 1990's appears to be: (a) less expensive; and (b) even more reliable?

I am not asking you to agree with that. I am just asking you if that is not something that we ought to consider.

Mr. **LEHMAN**. Well, there are several aspects to this, but one is the theoretical aspect. In theory, you can design a wide range of bomber force structures, but in theory, you should also recognize that for a given number of bombers, air launched cruise missiles have to have fuel; they have to have engines. If they are long range, they tend to be bigger. That means you tend to be able to carry fewer of them.

On real aircraft, for example, the B-52, it doesn't work out quite exactly that way, because it is more the number of attachment points that you have. But the reality has been that generally, the cheapest way and the most flexible way to deliver these weapons have been with short-range missiles and with gravity bombs. Air launched cruise missiles have always been viewed as, basically, an adjunct, a way to diversify the force, to enhance stability.

What the proper mix should be between penetrating bombers and air launch cruise missiles depends on, of course, the cost of each, but also, the nature of air defenses and how well the air launched cruise missiles do versus how well the bombers do.

Let me say that right now, though, I think there is a certain reality, and that reality is that you have 97 B-1-B's; you have a little over 90 B-52's. We had wanted to keep the B-52-H's, for what life is left in them. I must remember that these are very old aircraft and to put air launched cruise missiles on them, long-range air launched cruise missiles and to keep the B-1-B in a penetrating role. The B-52-G's that we have in the force under START, will be outside of the 1,600 limit on delivery vehicles, since there is a further limit of 115 for conventional only bombers.

This was really our effort to anticipate a new emerging world in which you want to diversify your capabilities and recognize the important role that long-range aircraft can play in the conventional role. So the G's are basically being taken out of the slop to go to the conventional mission. That leaves you basically with the H's, whose life expectancy is into the early part of the next century, and then you only have the B-1's.

How many air launched cruise missiles can you put on a B-1? You will discover that even if you load them to the maximum possible, it is far short of what the requirement is. You, in essence, need another platform, and the program has been to build the B-2. Some day, the B-1 will become the air launched cruise missile carrier and the B-2 will carry the other weapons.

Senator **Rudman**. One of the guides here—and I think I understand exactly what you are saying—is whether or not the B-1 can be made to carry more aid launched cruise missiles depending on the standoff and so forth and what the weight will be. The problem that we have is that the problem of balancing strategic forces against conventional forces, and with all due respect to what is going on with arms control, it is my own view talking to many people that we need very robust forces that are deployable that are sustainable, that we are more apt to call on those forces than on nuclear forces but which we need for deterrent value.

We look at the B-1 with a fly-away cost of $5 to $6 million per copy, plus all the support and sustainability costs that go with it. We have to look very carefully at whether or not there is a better way to do what we have to do within the framework of the START philosophy that you have set forth. That is why I have asked you, obviously, these questions this morning.

But I guess it is your position that as of right now, in the present regimen, unless we fulfill that obligation, then we have to look at how we structure START in terms of our own safety. I guess that is what you are saying.

GENEVA OFFICE

I only have one other question, because your budget is very straightforward, and we always enjoy your agency coming over here, but we don't usually have all the questions for you.

I notice that in your 1991 budget, there is a proposal to shift $9.2 million from the ACDA budget to the State Department for funding the operation of all of your administrative support in Geneva.

I have two questions. Everything is in two's this morning. I have two questions. The first question is: Did you request that or was that imposed upon you; and second, are you concerned if the answer is that it was imposed upon you, are you concerned that somehow, by losing control of this $9.2 million, you may not be getting the kind of administrative support that you need?

Mr. **Lehman**. Senator Rudman, I did not request this change. It was part of a package deal. I had to make a decision, and my decision was that I needed the resources necessary to support the substantive side of the negotiations.

I needed the people and I needed the operating funds and the external research money. Our primary function is not administration, other than to look out for ourselves.

I would have preferred not to have done this simply because we are close to our people in Geneva who, by the way, are not just arms control and disarmament people, but they are from the State Department, Defense Department, the Joint Chiefs and other agencies.

But we have a close family relationship, and we try very much to look out for them. On the other hand, as I said, our primary function is not administration. They are now, as you know, colocated. They are no longer down at the Botanic Building, but they are colocated with a second U.S. mission. So the State Department groups are colocated with another State Department mission.

It was felt that maybe some duplication could be eliminated if they were to transfer this function. I should point out that we did not transfer any funds; we only transferred the function. That permitted me, then, to take advantage of the existing authorization levels and to come in with a proposal for more operating funds.

But I assure you that I will work closely with the State Department to ensure that all the delegations in Geneva get the strongest support.

Senator RUDMAN. That is a good answer. I hope you will get back to us if you have problems with this. For those of us who used to go to Geneva when it was not the popular place that it is now and with very small groups that sit in and observe negotiations as I did with you on several occasions, I thought it was working rather well.

It certainly wasn't lavish. In fact, it was just the opposite of lavish. It was fairly tight and lean, and I like the way it was run. I always worry about having the administration of this agency shifting to the State Department. I have a lot of respect for the State Department. They tend to be larger, more bureaucratic and less apt to maybe do what you need specifically.

So if you have some problems in administrative support, I think the chairman and I and the committee would like to know about it later on.

Mr. LEHMAN. Fine.

Senator RUDMAN. That is all I have.

INDEPENDENCE OF ACDA

Senator HOLLINGS. On that point, obviously, Congress set up the Arms Control and Disarmament Agency so that we could get an independent voice independent of the State and independent of defense and neither one would run the other. Now, is that somewhat blemished by the move over to the Department of State?

Do you feel like you are put under that control; specifically is OMB guiding you in that direction?

Mr. LEHMAN. This is the administration's budget request. We worked it out. Like anyone else, I am faced with tight budgets. I would simply point out that none of us gets everything we want. I did not get everything I wanted.

But I can live with the administration's request because I think at a time when everybody else is taking big cuts, I got a substantial percentage increase in my operating budget. Of course, I need it, and I think that people recognize that we need it. But as far as an independent voice, I think the two of you know me and of my private counsel. You can be sure that my voice is to call it the way I see it, and that is the way I have done it.

PEACE DIVIDEND

Senator HOLLINGS. What about your advice to us, now? Suppose you were a Senator with your experience now at the strategic level and, of course, conventionally, too.

Where would you look for the peace dividend if you were a Senator?

Mr. LEHMAN. I would look for the peace dividend down the road. [Laughter.]

Senator HOLLINGS. Down the road, what would you be looking at?

Mr. LEHMAN. Actually, the primary savings will probably come out of the conventional side. It is certainly related to reductions of levels in Europe. It is interesting, but I am sure the Soviet Union is going through this same process right now.

The Soviet Union is obviously looking for some source of resources to put back into its economy, and they are going into their military sector to find it. But what they have discovered is that it is not really in the nuclear sector that the big dollars are; it is in the conventional sector.

It is the same for us. A lot of your savings really are going to have to come out of the conventional forces at a time, of course, when we want to emphasize the importance of our conventional forces. In that regard, I would say that I expect the biggest savings will be out of conventional forces associated with Europe. Then I am sure they change and give you a more precise answer, but I suspect that there is a lot of overhead that goes with those forces, and I suspect that you will find that everything else is sort of contracted at approximately the same rate.

There also will be, I think, in the long run, some reductions out of nuclear forces simply because we are going to be operating fewer platforms. You are going to have fewer systems that you are supporting at present. So I think in the long run, one can expect reductions there, as well, but they aren't likely to be anywhere as near as significant as in conventional forces.

COST OF B-2 BOMBER

Senator HOLLINGS. Since you have been categorical with the Senator with respect to the Stealth B-2, it should be known, of course, that it doesn't stand the test of common sense to many in the Congress.

When we got out of World War II, a B-17 cost $97,000; a B-2 plane costs not $530 million but $630 million, and more, just one airplane. I couldn't contemplate a president sending that plane to deliver some ordinance on Moscow unless it was nuclear, and if it were, you can forget about the crew coming back. That is it; we have gone nuclear, and that is the end of the world there.

So they think in terms instead of, "I know about their limitations," but we can give notification on cruise missiles. Instead of $630 million for the B-2, I can put 630 missiles down in Turkey. I can put a robot by each one of them and tell him what to aim at, and I don't have to feed it or anything else of that kind. I don't have to practice it or anything, other than I have to worry about the weather.

These are the kinds of things that just hit us. The extravagance of that plane, to get into the realm of cost, is just more than you can go back home and explain it to anybody with any common sense.

Of course, we haven't got the B-2 yet. We can fit it the way we want it, and that cost will go up, so that leg of the Triad, Mr. Director of Arms Control, you should understand and not just come and have a hearing, but be heard also to the effect that I would dare say the B-2 is on a limited string. It is not down the road; it is at the intersection.

Mr. LEHMAN. Mr. Chairman, I hope the B-2 is in a better situation than that. I appreciate the concern over cost. These things never cost what we expect, and they are always controversial. You mentioned the B-17. I am reminded that the first B-17's were highly controversial, and the first few coming off the production line took 11 months to build; 11 months for one B-17. At the height of the war, we were building 16 a day.

There are ways to bring costs down, but unfortunately, they often involved higher production rates and things of that nature. We understand the budget problem.

Let me make one point about manned bombers, but let me extrapolate it also to the B-2. You go back and look at what we have done when there have been incidents around the world, the Korean ax murders, the aircraft off Iran, more often, when somebody says, "We got to get something there fast," they grab, these days, the B-52's. Now, the B-52 is designed as a high-altitude nuclear only strategic bomber. However, it played an incredibly important role, I think more than many people have realized, in Vietnam, and in these shows of force and in these quick reactions.

The truth is that the manned bomber has played an important role. When I was first involved many years ago, in fact, I was a member of the Senate staff when I first got involved in the Stealth technologies, and I remember the first time I looked at what became the B-2, and I looked at that arranged payload, and I said, "You know, if you can keep the cost of this thing down, I would buy it even if it wasn't Stealthy."

It has a phenomenal capability, and when you start talking about, basically reducing the number of platforms we are going to have and needing more and more of our military assets based closer to home or at home, that gives you another way to look at that, that platform. That may well be the B-52 of the next century. So I just offer that as a perspective. I understand the costs are high. I wish they were lower. But these costs are not out of line with, when you look at the modernization program in the 1960's, the whole strategic modernization program.

REPLACEMENT OF 1-A CLASS SUBMARINE

Senator RUDMAN. When you talk about high costs, we are faced with a whole range of tough choices, not in the strict nuclear strategic area, but in the area of naval procurement, we are talking about a new nuclear attack submarine to replace the 1-A class.

The 1-A class was kind of coming on board by the time I got to the Senate. It is a terrifically capable nuclear submarine. We have spent a fortune on those submarines. We are now talking about the *Sea Wolf* class. At $1.5 billion per copy, and I think that is probably low, I forget how many we are talking about.

The problem we have here is we have to look very carefully at what your agency is doing. We have to look at all these requests, which are very expensive, the B-2, the USDI, which I know the chairman supports and has supported; B-22, C-17, *Sea Wolf*, mobile Midgetman, mobile rail-based MX and about two or three other modernization programs, and if you do all those, you have three platoons of marines on the Armed Forces by the year 2000.

We don't have a hollow arm; you have no army. So what we have to try to do is we have to try to balance these enormous costly strategic systems with the agreements in Europe you are working on with the need for strategic sources. If you look at the Delta out there for the purchase of all these weapons systems, if you purchase them all, even at the prices you quoted today, you don't have anything else. That is what we are talking about.

It is not just the B-52. It is the range. We appreciate your being here.

Mr. LEHMAN. I understand. Thank you.

Senator HOLLINGS. Good to see you.

Mr. LEHMAN. We are available, of course, any time you need information or you want to talk about some of these problems.

Senator RUDMAN. Probably June we will be talking about them.

Mr. LEHMAN. We won't have our treaty completely done by then, but it ought to be close.

Senator RUDMAN. Keep up the good work.

ADDITIONAL COMMITTEE QUESTIONS

Senator HOLLINGS. Thank you. We will be submitting the balance of the questions to be answered for the record.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

Question: What aspects of the U.S. Strategic Nuclear Modernization program will be affected by a START Treaty? What modernization programs are likely to be reduced in pace or scope?

Answer: The U.S. government will determine the optimal START force structure that will best provide for our security and deterrent capability based on the availability of forces at our disposal. In any case, START will result in a substantially smaller U.S. strategic force overall. It is anticipated that most of the actual reductions will come from older forces and, if there were to be no START agreement, many of our modernization programs would probably have to be appreciably larger.

Question: What is the status of the proposed START Inspection regime? What kinds of short-notice inspections and perimeter monitoring inspections will there be? What types of facilities will be inspected and how many?

Answer: The two sides have agreed on the broad outlines of the inspection regime to be implemented under the START Treaty. However, a myriad of details are still being negotiated between the sides.

In general, there will be short-notice inspections at facilities which are involved in the deployment, repair, storage and testing of strategic systems; perimeter monitoring at critical production facilities for such systems; and provision for inspections at so-called suspect sites.

As I mentioned, the details of many of these types of inspections are still being developed in Geneva. In particular, precisely how many and which facilities will be subject to which type of inspection is still being thrashed out. However, I can assure you that the START verification regime will be very extensive. We believe that effective verification is indispensable for a START agreement.

START II

Question As an arms control expert, what do you believe will eventually be considered in a START II negotiation? To what degree might the START I Treaty reference future negotiations?

Answer: Our first priority in START is to continue the hard work necessary to resolve all substantive issues by the June summit and conclude a treaty as soon as possible. We are making substantial progress in that effort and should not let ourselves be distracted from reaching that goal.

At the same time, now that the main features of a START agreement are in view, it is natural for the two sides to consider what additional issues need to be addressed. The Soviets have some ideas in this area, and we have told them that we are prepared to hear those ideas in Geneva.

It would be premature to speculate as to the timing or content of any follow-on negotiations to START at this time.

Question: It is widely agreed that under START the United States would wind up with at least 9,000 to 10,000 strategic nuclear weapons (as a result of the bomber weapon counting rule). Why do we need this total number of weapons and what do we expect to deter with a force of this size that 3,000 highly accurate warheads couldn't do? As head of the U.S. Arms Control and Disarmament Agency, do you favor having this number of strategic nuclear weapons under a START Treaty?

Answer: The U.S. maintains a strategic nuclear force in order to deter nuclear war. The nuclear force structure deployed by the U.S. is designed so that no one could conceive a scenario in which striking first could produce a gain. In designing this force structure, it is necessary to have some duplication for reasons of survivability. Thus, we maintain a triad -- three different basing modes -- so that some part of our nuclear force could survive any conceivable nuclear attack and therefore strike back at an aggressor and inflict what any rational leader would consider unacceptable damage.
The number of warheads on ballistic missiles, potentially the most threatening and destabilizing systems, will not exceed the agreed limit of 4900. However, the combined total of weapons on heavy bombers and ballistic missiles could exceed 6000 because of the agreed counting rules for heavy bombers, which deemphasize the weapons on such platforms. We have long considered heavy bombers to be more stablizing than ballistic missiles because they are primarily retaliatory systems and the counting rules were designed to reinforce the emphasis on such retaliatory capabilities. The fact is that a START treaty will result in fewer strategic nuclear weapons, particularly in those categories that are most destablilizing, such as MIRVed, land-based, heavy ICBMs. This result will translate to an increasingly more stable U.S.-Soviet strategic relationship and a reduced risk of nuclear war. In the last analysis, the Soviets agreed with this approach.

On-Site Inspection Agency

Question: Most reports indicate that the inspection process for the INF Treaty has proceeded smoothly, and that OSIA has managed to accomplish its objectives with few problems. Have you had the opportunity to review the reports filed by inspectors at the conclusion of their visits to Soviet facilities? Are you confident that the inspectors have gathered the information needed to verify Soviet compliance with the INF Treaty?

Answer: The On-Site Inspection Agency (OSIA) has done a commendable job in implementing the inspection provisions of the INF Treaty. The Agency was established in January 1988; four and a half months before the Treaty entered into force. This notwithstanding, OSIA -- with important support from the Armed Services and the other departments and agencies of the Executive Branch -- successfully undertook the most intrusive and comprehensive inspection regime yet agreed between the U.S. and the USSR. To date, this process has involved the conduct of over 320 inspections of Soviet INF missile facilities.

The results of these inspections are made available to the Arms Control and Disarmament Agency (ACDA) on a regular basis -- both the initial inspection reports and follow-up reports. Although I have access to the reports, I usually rely upon the Assistant Director for Verification and Intelligence to review them and report significant developments to me. Additionally, the Principal Deputy of OSIA briefs me on the inspection process through the newly created ACDA Treaty Implementation Panel.

Verification of Soviet compliance with the INF Treaty is dependent upon data collected both by National Technical Means (NTM) and the inspection process. I can assure you that the United States Government is obtaining from these means the information necessary to monitor Soviet compliance with the treaty.

Question: The START Agreement will contain a number of on-site inspection provisions. OSIA seems to be well-situated to implement these provisions. Do you believe that OSIA has the budget, manpower, and support needed to take on this added role?

Answer: OSIA has an established infrastructure, experienced personnel, and a network of relationships with U.S. Government agencies and the Soviets that could prove useful implementing the inspection provisions of a START agreement. OSIA would require additional personnel and other resources to accomplish an expanded mission. The Executive Branch is currently examining the question of whether organizational adjustments, including whether we should establish a single agency to implement arms control treaty inspections, and the resource implications attendant upon a decision on this issue.

ALCM COUNTING

Question: There remains some confusion according to press accounts about how to count bomber weapons under START. What exactly is the status of the ALCM (Air-Launched Cruise Missile) counting rule; what is it contingent upon; and what ALCM range issues remain? What are the implications of these issues for the U.S. bomber force? What is the status of negotiations on sea-launched cruise missiles?

Answer: Major obstacles on these issues were overcome during the Moscow ministerial. An agreement has been reached to attribute to each heavy bomber equipped for ALCMs a certain number of ALCMS. In addition, each heavy bomber may be equipped for no more than a separate, agreed number of ALCMs. We believe this approach promotes stability because ALCMs are inherently less threatening (slow-flying; face extensive air defenses) than ballistic missiles and therefore do not require as stringent limits. The one question still remaining is ALCM range which will determine which ALCMs will be subject to START. An agreement on this issue has not yet been reached. The present U.S. position on ALCMs will provide great flexibility to the future force structure of our heavy bombers. Bombers that have not been tested as ALCM platforms will not be affected.

The U.S. position is that SLCMs (Sea-Launched Cruise Missiles) should be excluded from START. The Soviets finally agreed at Moscow to exclude them from a START agreement and to accept a politically binding declaration involving SLCM deployment levels.

Funding Level

Question: Are you satisfied with ACDA's current funding level? In the absence of fiscal constraints, what would you do and how much would you spend to optimize your agency's position within the government?

Answer: Throughout the FY-91 budget process, ACDA worked closely with OMB to determine our agency's priorities, while competing with other agencies for funding within the framework of the President's Budget Request. The result was a positive endorsement of ACDA's role in the arms control process as reflected in the 23.7% increase for ongoing ACDA activities in our FY-91 request.

Since fiscal constraints are a reality, ACDA has and will continue to work within these constraints. Therefore, it would be imprudent for ACDA to speculate. Currently, we are effectively managing the agency's resources to ensure that we maximize the use of those resources allocated to ACDA and will continue to pursue effective and efficient management in the future.

Organization of ACDA

Question: On page 38 of the justification there is an organizational chart that divides ACDA into 39 separate boxes. If all of ACDA's 194 positions were in Washington, that would average 5 people per box?

Answer: A number of the more senior advisors are indicated on this organization chart to show the level of responsibility and advisory process that is in place at ACDA. These boxes represent individuals as opposed to large units. In general, however, ACDA's bureaus range from 24 to 36 FTP positions. The support offices which are generally smaller include a low of 5 for the Office of Congressional Affairs to a high of 29 FTP for the Office of Administration.

Question: On February 6th, ACDA submitted a reorganizational proposal that eliminates some of those boxes. For instance, the Office of Congressional Affairs has been merged into the Counselor's Office. However, your adding a Chief Scientist and it still looks like ACDA is over organized. How many of those 38 boxes on the organizational chart are eliminated by the reorganization.

Answer: The February 6th organizational chart represents the reorganization of ACDA as needed to closer align responsibilities with the individual or individual bureau/office carrying out these resposibilities. Therefore, though some of the boxes have either been realigned or eliminated and others added, these new boxes better reflect the functions as currently being performed.

Geneva Administrative Support

As part of ACDA's reorganization, the Administration's budget request call for transferring primary administrative support for arms control delegations in Geneva from ACDA to the Department of State. This accounts for a transfer of over $9 million to State.

Question: Who proposed this change and what is the rationale behind the proposal?

Answer: This functional transfer of overseas administrative support from ACDA to State serves to bring the administrative operations in Geneva in line with management practices worldwide and eliminate duplication of effort. This transfer would enable ACDA to devote its authorized resources exclusively to the substance of arms control and non-proliferation without the distraction and fiscal drain of purely administative tasks already performed for other delegations worldwide by the Department of State.

Question: What has been ACDA's experience with the services State provides you here in Washington? Please provide a chart displaying the services ACDA requested from state since last June, the date they were ordered, and the date completed?

Answer: ACDA receives adequate servicing from State in Washington. Attached is a chart indicating services requested from State since June.

STATUS REPORT

DATE OF REQUEST	BUREAU	REQUISITION OR PO NUMBER	DESCRIPTION OF WORK	ACTION OFFICER	EST START DATE	EST COMPL. DATE	DATE COMPLETED
06/01/89	GC	1790-901044	INSTALL NEW TELEPHONE	RAY YOUNG	6/22/89	6/22/89	6/16/89
06/01/89	GC	1790-988500-28	PURCHASE DESK LAMP	RAY YOUNG			6/14/89
06/06/89	A/CS	1790-901045	INSTALL TWO 2500 PHONES	RAY YOUNG	6/27/89	6/28/89	6/28/89
06/06/89	GC	1790-988500-27	NEW FURNITURE FOR GC	RAY YOUNG	6/19/89	6/19/89	6/20/89
06/12/89	SP	1790-903065	RELOCATE AIR REGISTER	GENE JOHNSON	6/26/89	6/26/89	7/07/89
06/12/89	PA	1790-903064	INSTALL OUTLET AT ICC BLDG.	GENE JOHNSON	7/03/89	7/10/89	7/10/89
06/12/89	NWC	1790-903063	INSTALL SIMPLEX, RM. 4934	GENE JOHNSON	6/13/89	6/13/89	6/15/89
07/18/89	A/CS	1790-901046	CHANGE CALL COVERAGE	RAY YOUNG	8/09/89	8/09/89	7/26/89
07/18/89	VI/OA	1790-901047	INSTALL LINE FOR STU III	RAY YOUNG	8/09/89	8/09/89	8/04/89
07/20/89	PA	1790-901045	REVISE CALL COV. IN PA	RAY YOUNG	8/10/89	8/10/89	8/12/89
07/20/89	NWC	1790-903071	RECONNECT ALARM IN 4953	RAY YOUNG	CANCEL		
07/20/89	MA	1790-903072	INSTALL 115 VOLT OUTLET	RAY YOUNG	8/03/89	8/11/89	8/11/89
07/30/89	VI	1790-901049	INSTALL 2500 IN VI	RAY YOUNG	8/21/89	8/23/89	8/23/89
07/30/89	AGENCY	1790-903073	INSTALL DOOR CLOSURES	GENE JOHNSON	8/10/89	8/30/89	
08/10/89	PA	1790-988500-31	DESK, STD. OFFICER	RAY YOUNG	8/15/89	8/15/89	8/15/89
08/11/89	SP	1790-903075	INSTALL 2 OUTLETS	GENE JOHNSON	8/28/89	8/31/89	9/01/89
08/16/89	A/CON, PA	1790-903076	BLDG. SECURITY UPGRADE	RAY YOUNG	9/06/89		
08/16/89	PA	1790-901051	TELEWORK IN ROOM 5843	RAY YOUNG	9/06/89	9/07/89	9/08/89
08/17/89	A/CS	1790-903077	DAMPER CONTROL AIR VENT	GENE JOHNSON	9/18/89	10/17/89	10/19/89
08/17/89	A/MIS	1790-901052	25' TELEPHONE CORD	RAY YOUNG	8/31/89	8/31/89	8/25/89
08/17/89	D/SY	1790-905001	SAFE, MOSLER 2-DRAWER	RAY YOUNG	8/24/89	8/24/89	8/24/89
08/23/89	A/MIS	1790-903078	WINDOW BARS FOR RM 5439	RAY YOUNG	9/05/89	9/05/89	9/05/89
08/24/89	OC	1790-988500-32	DESK, CHAIR, CHAIR/TYPIST	RAY YOUNG	8/29/89	8/29/89	8/29/89
08/30/89	A/CON., PA	1790-903079	SECURITY LOCKS & TV	RAY YOUNG	9/11/89	9/12/89	9/12/89
09/01/89	PPO	1790-901053	CHANGE CALL COVERAGE	RAY YOUNG	9/01/89	9/14/89	9/15/89
10/03/89	MA	1790-088500-01	CHAIR, TABLE, TABLE, CONF.	JOE FLETCHER	10/12/89	10/12/89	10/12/89
10/20/89	MA	1790-088500-02	CHAIR, EXE. SWEVIL	RAY YOUNG	10/25/89	10/25/89	10/25/89
11/02/89	NWC	1790-00104	ANALOG LINE RM. 4936	RAY YOUNG	11/16/89	11/16/89	11/10/89
11/02/89	NWC	1790-001005	INSTALL 7203H IN ROOM 4004	RAY YOUNG	11/14/89	11/14/89	11/14/89
01/02/90	A/MIS	1790-001007	RELOCATE WALL PHONE	RAY YOUNG	2/01/90		
01/04/90	D	1790-001009	ALL LINES SHOULD ROLL OVER	RAY YOUNG	2/05/90		
01/04/90	SP/SA	1790-001008	INSTALL BUSY BAR ON 77907	RAY YOUNG	2/05/90		
01/25/90	CA	1790-001010	INSTALL NEW LINES IN 5851	RAY YOUNG	2/22/90	2/23/90	2/16/90
02/15/90	SP	1790-901028	RELOCATE LINE 76566	RAY YOUNG	3/01/90	3/03/90	2/22/90

Question: Will this affect other administrative support in Geneva delegations provided by ACDA Washington?

Answer: No, this change is not meant to impact upon any other support that ACDA would provide to the Geneva delegations.

Geneva Administrative Support

Question: How will this affect the current role of the ACDA Security Office? Will ACDA continue to be responsible for passing clearances for all delegation staff and transmitting classified material?

Answer: When the Department of State assumes administrative support for arms control delegations in Geneva, all other government agencies supplying representatives to the delegations will pass all appropriate clearances to the Department of State for transmission to Geneva. Classified material will continue to be transmitted through the Diplomatic Telecommunications System or by the Diplomatic Courier service.

Question: Under the proposal, would ACDA retain responsibility for Top Secret Control? If State assumes this responsibility, would there be any coordination between ACDA and the State Department? For example, would the Top Secret Control Officer in Geneva report to ACDA's Security Office in Washington?

Answer: Top Secret document control would reside with the U.S. Mission TS control officer in Geneva. Coordination would take place between the respective delegations and the TS Control Officer in Geneva. The Top Secret Control Officer would not report to ACDA's Office of Security. However, a copy of the mission's inventory report will be submitted to the Regional Security Officer and will be available for review with respect to delegation documents (5 FAM 961.1-2.)

Question: If responsibility for Top Secret document control is transferred to State Department, who will pursue the investigation of the Top Secret and No Distribution (NODIS) documents missing from Geneva?

Answer: The Diplomatic Security Service, U.S. Department of State has been requested by ACDA's Office of Security to conduct an investigation of the 150 Top Secret documents which were transported to the vault in Geneva.

Special Verification Commission

Question: How many and what type of issues have been brought up for discussion in the SVC? How many and what type of issues have been raised by the United States? The Soviet Union?

Answer: The SVC has addressed numerous INF implementation issues since the Treaty entered into force on June 1, 1988. These have resulted in agreement on the following implementing documents:

-- A Memorandum of Understanding on the procedures for operation of the SVC itself, signed on December 20, 1988.

-- An Agreed Statement on U.S. inspection procedures at the continuous monitoring inspection site at Votkinsk, USSR, signed on December 8, 1988.

-- An Agreed Statement on Soviet inspection procedures at the continuous monitoring inspection site at Magna, Utah, signed on June 9, 1989.

-- The Memorandum of Agreement on the implementation of the Treaty's verification procedures, signed on December 21, 1989.

As to which issues were raised by each Party, the issues discussed and the documents developed cover a wide range of implementing procedures raised by both sides.

Question: How were these issues resolved? How long did it take to reach resolution?

Answer: These issues were resolved through negotiation, and the dates of conclusion of each document are listed above. As agreed in the MOU on SVC operating procedures, the negotiating process remains confidential. However, the MOU also stipulates that documents concluded in the SVC must become unclassified, unless otherwise agreed. All of the documents listed above are unclassified.

Question: How can the process be improved?

Answer:-- We are satisfied with the resolution process in the SVC. In addition, we have raised numerous issues with the Soviets through other diplomatic channels, particularly when the SVC is not in session.

Question: Are there any pending issues that the SVC has not yet addressed or resolved? Please describe.

Answer: As stated above, issues which remain under negotiation are subject to the agreed rules of confidentiality. Senate and House staffs have been provided a classified briefing on these issues, as well as on the negotiating process which produced the four documents signed in the SVC. Such a briefing could be provided to you or your staff, if you wish.

Question: How are the decisions of the SVC communicated? To whom are the results communicated?

Answer: The results of SVC work are communicated to all interested Executive departments and agencies, as well as to those carrying out U.S. INF inspections. In addition, all of the documents which have been developed in the SVC have been sent to the Senate Foreign Relations Committee, Senate Armed Services Committee and Senate Select Committee on Intelligence, as well as to their counterpart committees in the House of Representatives. These transmissions have been forwarded by ACDA General Counsel Thomas Graham and have included a classified description of the negotiating background of each document. Finally, we are also briefing our NATO Allies on the work of the SVC.

Question: The Memorandum of Agreement regarding implementation of the verificaiton provisions of the INF Treaty was signed December 21, 1989, almost 19 months after the Treaty entered into force. Why did it take so long to reach agreement?

Answer: The MOA was negotiated by the SVC over the course of six sessions which lasted a total of approximately seven months. The length of time which it took to finalize the document was due to:

-- the unprecedented scope and complexity of the Treaty, in regard to both elimination of military assets and the multi-faceted verification regime, including several types of on-site inspections;

-- the time required for both the U.S. and USSR to decide what equipment they wished to use for Treaty verification (other than NTM) and then, as required by the Treaty, to negotiate with the other Party the characteristics of that equipment and its methods of use; and

-- the fact that both sides proceeded cautiously, not only to protect their own interests, but also to ensure that the provisions we were spelling out in the MOA were in absolute accordance with the Treaty and also reflected experience gained in implementing the Treaty.

Question: How did this affect Treaty implementation?

Answer: Most elements of the MOA were agreed during the first few months of SVC work. By informal understanding with the Soviet Union, these agreed areas were implemented provisionally, pending the completion and signing of the MOA. Thus, most areas of Treaty implementation were not affected by the MOA being finalized December 21, 1989.

Question: What lessons have been learned that should be considered when negotiating other treaties?

Answer: ACDA has taken steps both internally and in coordination with other agencies to apply our INF experience where appropriate to the implementation of future treaties. As we look back on the 20 or so months of our first major arms control implementation effort, we see 2 key areas for special focus:

1. As reflected by the MOA, implementation is time-consuming and complicated. It requires constant attention, and many areas of activity. Seemingly minor technical or logistic issues can have important unforeseen implications. Therefore, it is important to keep clear and active lines of communication among all areas of activity, such as: monitoring, inspections, eliminations by one's own side as well as by the other, and of course the follow-on organizations. It is impossible to foresee all problematic aspects of implementation until implementation is already underway.

2. Resources: Finally, arms control implementation is expensive. The Executive and Legislative Branches need to work together to plan ahead in order to maintain sufficient resources for skilled personnel, monitoring, inspections, eliminations, transportation, and verification technology and support for the follow-on organizations.

ACDA Security

QUESTION: GAO has issued two reports on ACDA security. These reports addressed several areas of document security and raised concerns with agency security practices. In its ongoing follow-up review, GAO has found that while ACDA has improved some security practices, several areas need additional work.

In addition, at the Director's request, in the fall of 1989, the Advisor for Internal Affairs and the Assistant to the Deputy Director for Security conducted a security investigation in Geneva. A November 1989 report to the Director confirmed that security weaknesses still exist.

-What were the findings of the Geneva inspection?

-What actions has the Director taken in response to the issues identified in the November 1989 report?

Answer: The results of the GAO inspection of Geneva were provided to Congress and need not be repeated here. In November 1989, I sent the Special Advisor for Internal Affairs and the Assistant to the Deputy Director for Security to Geneva to review the situation. Their report stated that a number of problems remained. I determined that these problems required my immediate personal attention and have sought resolution of all outstanding issues. I believe, that as a result, our continuing interest in maintaining high level focus on security procedures has been successful.

Actions taken in response:

ACDA has requested the State Department's Diplomatic Security Service to undertake an investigation regarding 150 documents transported to but never logged in the vault in Geneva. We are awaiting the results of that investigation.

When TS materials were discovered in archival safes in Geneva it was requested that all material in the containers be examined and any TS documents be taken to the vault and inventoried. This has been accomplished and an inventory has been supplied to the ACDA TS control officer in Geneva and the ACDA Office of Security.

Additionally, we have been working with the Department of State and the respective delegations to insure that appropriate security policies and procedures are adhered to.

I should add that competition for secure space by many organizations in Geneva also contributes to our security concerns. In this sense, the "overcrowding" of secure areas at the U.S. Mission is a part of the problem. To date, this has not been resolved.

Question: According to the two GAO reports, ACDA could not locate numerous Top Secret and sensitive compartmented information (SCI) documents. Security Directives require that the agency that originated the information be notified of a loss or possible compromise of classified information, so that it can conduct a damage assessment.

It has been nearly two years since ACDA was first notified about the missing documents. As of early February 1990 ACDA had not found many of these documents.

Has ACDA notified the originated agencies that it cannot account for certain SCI and Top Secret documents? If so, when? If not, why?

Answer: Oversight responsibility for Top Secret Control as well as SCIF security were transferred to ACDA's Office of Security in the Deputy Director's Office in June 1989. Arrangements are underway with the intelligence community to provide the community with a complete list of all SCI documents which remain unaccounted for. Records of thirty eight Top Secret documents that were identified by GAO as "unaccounted for" are in the process of being investigated. While ACDA possesses copies of each of these documents, the copy numbers remain in dispute. Copies of the documents in question were recalled from the National Archives and are being examined. In those cases where the copy number discrepancy cannot be resolved and the document adjudicated as accounted for, the originating agency will be notified.

Question: ACDA officials recently told GAO that they are completing their investigation on 3 of the missing Top Secret documents.

Has ACDA completed its investigation of the 3 documents? When was this initiated and how long did it take? What were the results? Has ACDA notified the originating agencies?

What does ACDA plan to do about the remaining top secret documents that it cannot account for?

Answer: ACDA has completed the portion of the investigation which focused on tracking the accountable officials for interview. It was initiated in May 1989. Individuals who were listed as accountable were located and interviewed where possible. During the course of the investigation the original investigating agent was transferred, thereby prolonging these inquiries. The documents remain unaccounted for. The numbers of the documents are presently being compared with additional old inventory records and with copies of the documents that have been recalled from the National Archives. When this procedure is completed, if the documents remain unaccounted for, the originating agency will be notified.

The remaining thirty-five Top Secret documents are being examined. Two of these documents alleged to be unaccounted for have been accounted for using these procedures. Upon completion of the screening the originating agencies of all unaccounted for documents will be notified.

Question: In August 1988 GAO reported that ACDA could not locate over one-fourth of a sample of SCI documents.

ACDA has not found most of these and attributed the cause for these missing documents to its poor administrative procedures, lack of staff training, and not having a dedicated document control person. ACDA believes there was no indication of a compromise of national security information because there was no indication that any SCI actually had been taken from the sensitive compartmented information facility (SCIF). GAO's report and subsequent ACDA classified document inventories documented numerous examples of SCI material outside the SCIF.

What is the basis for ACDA's determination that the missing SCI documents indicated no compromise of security:

Shouldn't the originating agencies be notified of ACDA's decision to "Write Off" these documents?

Answer: ACDA has stated that it has no information available that indicates that a compromise of national security has taken place.

As indicated previously, arrangements have been made to provide the intelligence community with a comprehensive list of missing SCI material that has not been accounted for. ACDA has not made any decision to "write off" these documents.

Question: GAO recommended that ACDA conduct an inventory of all Top Secret and SCI documents in ACDA's possession to determine what ACDA should be accountable for and identify what documents may be missing. GAO reviewed a sample of safe drawers/files in Washington and Geneva and a sample of documents listed on ACDA's control logs in Washington.

Has ACDA inventoried the remaining safe drawers in Geneva and Washington to determine if there are additional uncontrolled Top Secret, SCI, NODIS, or other sensitive documents? If so, when was this done and what were the results?

Has ACDA accounted for all SCI and Top Secret documents listed on its control logs? If not, Why? Isn't ACDA, in effect, "Writing off" any additional missing documents?

Answer: Appropriate TS and SCI inventories have been conducted in ACDA during the past year in accordance with regulations. Top Secret inventories were conducted in February 1989 and October 1989; an SCI inventory was conducted in February 1989. Several random audits of a limited number of SCI documents have been conducted by State INR to ensure the integrity of the system.

Any documents on ACDA inventories that cannot be accounted for have been or will be reported to the appropriate agencies of origination. ACDA will not "write off" any missing documents.

Question: In February 1989, ACDA completed its conversion to a new computer system for tracking Top Secret documents at its Washington headquarters and renumbered all documents. Using this system, ACDA conducted the required annual Top Secret document inventory in Washington, D.C. in October 1989.

What were the results of the Washington inventory? Were any additional uncontrolled documents identified? Are there any documents for which ACDA could not account? If so, what action has ACDA taken?

How will the new computer system improve ACDA's control of Top Secret documents?

Does ACDA regularly update the database?

Was an inventory done at the Geneva office? If so, how was this conducted? What were the results? Did ACDA issue a report?

Since GAO completed its work in April 1988, has ACDA identified additional Top Secret or other sensitive documents that were not on ACDA's records and/or improperly stored in Washington or Geneva?

Answer: The Washington inventory revealed that TS documents were being appropriately stored in approved containers within the various offices and Bureaus of ACDA. The inventory revealed that an Ambassador on one of the delegations had returned TS material to Washington. These documents were being stored in ACDA security containers located in State Department office space and were subsequently brought under ACDA control. The inventory was compared with previous GAO records and thirty eight documents were found to be in question. While ACDA possesses records of these TS documents, the copy numbers do not correspond to the copy numbers GAO indicates are charged to ACDA. ACDA has therefore recalled copies of these documents from the National Archives and is examining these documents in conjunction with old ACDA records in an attempt to resolve the reported discrepancies.

A new database was established to:
-control all TS documents already held and those received by ACDA.
-automatically assign sequential TS control number, thereby eliminating any chance of duplication of numbers. All incoming TS documents are assigned a unique individual control number. ACDA generated TS documents are assigned a unique copy control number for each document produced.

-provide an audit trail showing who held a document while it was in ACDA's possession. In addition, an audit trail is maintained on any changes made to the database.
-show the current and past history of each document. It was expanded to give a complete history showing each holder of the document. It includes data showing the location and date when each document was last inventoried.
-indicate when the document(s) was transferred, retired to the National Archives, or when it was destroyed or downgraded.
-produce special ad hoc reports in a virtually unlimited layout or format for reporting purposes.

All documents are now controlled utilizing bar code technology to assure 100% accuracy in locating and inventory of documents.

Yes, ACDA regularly updates the database whenever ever document activity occurs.

The ACDA Administrative Director in Geneva requested the delegation executive secretaries to advise him of any top secret material on inventory in the delegation TS safe in the vault. Each delegation executive secretary reported negatively. No written "report" was issued; however, the Administrative Director reported the negative reply to ACDA headquarters in Washington.

ACDA identified additional TS material in Washington as noted above. Further, during a trip to Geneva by the Advisor for Internal Affairs and the Assistant to the Deputy Director for Security additional TS material was discovered in archival security containers which were not being actively utilized by the delegations. Upon discovery the appropriate delegation was notified, extracted the material and removed it to the vault and provided appropriate inventories to the ACDA Administrative Director, Geneva. The documents are being reviewed for destruction or return to Washington for archival purposes.

Question: In January 1989, ACDA reported that it developed procedures to ensure coordination between ACDA's Top Secret control officers in Geneva and Washington and the delegation staffs in Geneva. However, based on a security inspection in Geneva, ACDA's Advisor for Internal Affairs reported in November 1989 that there needs to be greater coordination between the top secret control officer in Geneva and the delegations in Geneva.

How does ACDA plan to improve coordination?

Why haven't the current procedures worked?

Answer: The procedures to insure coordination between the executive secretaries and the ACDA top secret control officer are clear and concise. The breakdown occurred when departing executive secretaries failed to advise their replacements of their responsibilities with respect to Top Secret control procedures.

The new executive secretaries were briefed during the November 1989 trip by the Assistant to the Deputy Director for Security. Additionally, the Regional Security Officer, Geneva is meeting on a regular basis with the Executive Secretaries of the delegations. This should ensure that appropriate procedures are followed. Further, trips to Geneva are made by ACDA Office of Security personnel on a periodic basis and additional coordination and consultations occur during these visits.

Question: In November 1989 GAO reported that it found 152 Top Secret and 99 no distribution (NODIS--messages of the highest sensitivity between the President or Secretary of State and Chiefs of Mission) documents during its review of a sample of safe drawers in Geneva. In addition, numerous additional Top Secret and NODIS documents were identified by some of the delegations. All of these documents were improperly stored outside the vault in Geneva and had not been properly controlled.

In March 1988 these documents were placed in a designated ACDA safe in the State Department vault. However, as of November 1989, ACDA and State Department Officials in Geneva said no one ever logged in these documents and they are no longer in the safe in the vault. To date, ACDA has been unable to locate or otherwise explain what happened to these documents.

What is ACDA doing to locate these documents?

Does ACDA know exactly which documents are missing?

If so, has ACDA notified the originating agencies? If not, Why not?

GAO conducted its Geneva work 2 years ago. Why didn't ACDA ensure these documents were immediately controlled as required? Who had access to the safe in Geneva?

Answer: In order to determine what happened to the documents in question, ACDA has requested the State Department's Diplomatic Security Service conduct a comprehensive investigation. We are presently awaiting the results of that investigation.

ACDA was never provided an inventory by the post as to the Top Secret materials assigned to the delegations. Therefore, ACDA has been unable to notify the originating agencies.

It is our understanding that when these documents were found outside of the vault area on the various arms delegations that cognizant authorities were requested to bring these materials to the vault area for appropriate protection and control. Why these documents were not brought under immediate inventory will be determined by the investigation presently under way.

Question: GAO reported that ACDA's records on safes were incomplete and inaccurate and that ACDA could not locate 62 safes that were listed in its records. GAO recommended that ACDA account for the safes and maintain accurate records.

What has ACDA done to locate the missing safes?

What has ACDA done to improve procedures for tracking safes and maintaining accurate records regarding the location of containers approved for storage of classified information? Are the records updated when safes are moved from one location to another? Who maintains these records?

Answer: The Administrative Office of ACDA has conducted a number of inventories. At present ACDA is undergoing the annual change of combinations on all security containers. As the combinations are being changed the old property number, new property number and location are being cross correlated. It should be noted that the "list" of 62 missing safes contained ID numbers of padlocks which had been misidentified as security containers. We are working with GAO to resolve these discrepancies.

Under the new property inventory procedures the automated tracking system is being computerized. The security containers are bar coded. The Administrative Office is now required to notify the security office of any movement of security containers. Additionally, the Office of Security will cross check the data developed as to number and location of security containers with the Administrative Office's property inventory records to insure accuracy.

QUESTIONS SUBMITTED BY SENATOR WARREN RUDMAN

Security Measures in Geneva

Question: In November of 1988 GAO reported that it found 152 top secret documents and 99 No Distribution documents in so-called "safe" drawers outside the main security vault in Geneva. This did not conform with standard security procedures for the handling of such sensitive documents. They were supposedly placed in a designated ACDA safe in the State Department vault in March of 1989; however, as of November 1989 no records were available to determine whether they had been logged in, and the documents are no longer in the vault. It is my understanding that ACDA cannot account for many of these documents. Is that true?

FOLLOWUP: ACDA has known about lax security procedures and missing documents in Geneva for almost two years as a result of the GAO investigations. What has been done since then to remedy the situation, and why have all the documents not been accounted for? What plans do you have in the immediate future to locate the missing documents and improve security in Geneva? Have the agencies that originated many of the Top Secret and SCI documents been notified of the possible compromise of information contained in these documents?

FOLLOWUP: The ACDA budget request for 1991 includes $500,000 for a Secure Compartmented Information Facility (SCIF) to meet the requirements for protection and use of sensitive and Compartmented Information, or SCI. Is there any reason why the Committee should recommend providing this funding, given ACDA's track record in the use of such facilities?

Answer: The some 150 documents discovered by GAO in the security containers of the various arms control delegations in Geneva were transferred to the vault within the U.S. Mission. As ACDA was not provided with an inventory of record for these documents, ACDA has requested the State Department Diplomatic Security Service to conduct an investigation to determine the disposition of these documents. That investigation is presently underway. Security procedures do not allow for the storage of Top Secret material outside the vault. Top Secret Liaison Officers have been designated for each delegation and must bring into immediate control any Top Secret material received by a delegation.

Each of the delegation representatives has been briefed with respect to his responsibilities in the handling and control of classified materials. The Ambassadors in Geneva have indicated that they will demand strict compliance with respect to all security regulations. To date, there is no indication that the documents in Geneva have been compromised. Should it be determined that a compromise has taken place as a result of the investigation, the originating agencies will be notified.

In July 1988 the function of the Office of Security was transferred to the Office of the Deputy Director. In June of 1989 oversight responsibility for TS documents control as well as SCIF security were place under the Office of Security with oversight by the Office of the Deputy Director of ACDA. Automated document control systems, which are presently utilized for both the Top Secret Inventory and the Compartmented Information within the SCIF, combined with random unannounced inspections, are designed to ensure there are no repeats of the significant problems which have beset ACDA in the past.

The present SCIF, although recently renovated, is already insufficient to house the Intelligence Division, the security staff and provide secure working space for ACDA personnel.

Question: The External Research budget of ACDA would increase from $200,000 in 1990 to $2 million in 1991 under your budget proposal. Almost $1.2 million of the increase would support studies in the Bureau of Verification and Research. What, specifically, would the funds be used for? What are the types of organizations that receive external research grants, and why are they better able to provide information and research than inhouse experts?

Answer: I. The External Research funds in FY-91 would be used for research in support of the following arms control areas:

Chemical Weapons Verification ($900,000): This work will address the following issues: (a) Identification of means to detect and identify clandestine production and storage of chemicals and chemical weapons; (b) Evaluate current programs for the collection and analysis of possible samples of chemical biological, or toxin agents or weapons; (c) Conduct trial inspections in order to establish procedures necessary to verify declared and permitted activities under an eventual CW convention; (d) Support for US/USSR confidence building data exchanges and facilities visits; and (e) Coordinate CW verification related research and development programs being carried out by other agencies, in the private sector, and internationally.

START ($300,000): This work will include: (a) Projects for analytical and verification support of strategic forces for the evaluation of arms control options, verification requirements and procedures and quick response tasks in support of the START negotiations; (b) ACDA support for the interagency crisis stability study; (c) Red Team evaluation of START: (d) Tagging for verification; and (e) JASON support.

CFE ($250,000): This work will include: (a) Projects for analytical and verification support of conventional forces for the evaluation of arms control options, verification requirements and procedures and quick response tasks in support of the CFE negotiations; (b) Red Team evaluation of CFE.

Non-Proliferation ($250,000): This work will include: (a) Support for the 1990 NPT review conference; (b) Nuclear export controls; (c) Safeguards regimes for space launch vehicles; and (d) Assessment of proliferation risks posed by the advanced reactor and fuel concepts.

Others ($200,00) This work will include: (a) Treaty Text Management Study; (b) Improvement for WMEAT computer program; (c) Cooperative Verification efforts with the Japanese and the Canadians; (d) Missile/space negotiating issues; (e) Defense and Space and ASAT verification measures; (f) GEM Studies and (g) CORRTEX Improvements.

Direcotor's Reserve ($100,000) Primarily for back-stopping the NST Delegation and quick turn around analysis for priority projects that are difficult to predict in advance.

II. The organizations receiving these external research grants are primarily contractors with extensive experience in defense issues, sensor systems, nuclear weapons systems and intelligence matters. In addition, some of these funds will be transferred to other government agencies with special "in-house" expertise.

These organizations are essential to perform these tasks since (a) in many areas the expertise does not exist within ACDA and (b) in those areas where there are in-house experts, the daily workload is such that it does not permit these experts to concentrate on fundamental research projects.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

Question: Several years ago the Reagan Administration pledged to negotiate with the Soviets about reductions in the numbers and yield of nuclear tests. In return Congress agreed to drop language calling for a 1-kiloton threshold on nuclear tests. Why has the Bush Administration violated this pledge? What would be the effect of such limits on the U.S. ability to deter aggression?

Answer At the February ministerial in Moscow, Secretary Baker and Foreign Minister Shevardnadze "reaffirmed their adherence to the agreement reached in

September 1987 with regard to the negotiations on nuclear testing."

In their joint statement from the September 1987 summit, the U.S. and Soviet Union agreed that in the Nuclear Testing Talks (NTT), the sides "as the first step will agree upon effective verification measures which will make it possible to ratify the U.S.-USSR Threshold Test Ban Treaty (TTBT) and Peaceful Nuclear Explosions Treaty (TTBT), and proceed to negotiating further intermediate limitations on nuclear testing leading to the ultimate objective of the complete cessation of nuclear testing as part of an effective disarmament process."

The U.S. believes that it is necessary to proceed with the ratification of the treaties and their protocols, and as a practical matter, to observe their implementation. This period of implementation will give both sides valuable additional experience with these new verification methods. After a period of observation, we will be better able to assess the verification lessons learned, and also to determine the additional moves that make sense from a national security standpoint.

Nuclear weapons will continue to play a critical role in U.S. national security strategy. So long as this is the case, the U.S. must be free to conduct nuclear tests to ensure the credibility of our forces. The U.S. has not identified any further limitations on nuclear testing beyond those now contained in the TTBT that would be in the U.S. national security interest.

We have often stated a CTB remains a long-term objective of the U.S. A CTB must be viewed in the context of a time when we do not need to depend on nuclear deterrence to ensure international security and stability, and when we have achieved broad, deep, and effectively verifiable arms reductions, substantially improved verification capabilities, expanded confidence-building measures, and greater balance in conventional forces.

Question: According to information recently released by the SDI office, deployment of the Brillant Pebbles-based Phase I of SDI would begin violating the narrow interpretation of the ABM Treaty by the end of 1994. Our intention to do this would need to be announced a couple of years before this. What do you think the reaction of our NATO Allies will be to our violation the ABM Treaty, given the current European environment, and how would this affect U.S. leadership in NATO?

Answer: The question of the broad versus the narrow interpretation of the ABM treaty is a complex legal matter, which was considered at length during the previous Administration. On the basis of the legal advice presented to him, President Reagan determined that the broad interpretation was fully justified. The Bush Administration has confirmed this determination. Should the Administration at some point have to decide whether to implement the broad interpretation as a matter of policy, it will require close examination and consultation with Congress as well as with the Allies.

LANCE FOLLOW-UP

Question: It is clear that the Germans don't want the follow-on to Lance missile at all in this new environment, and that NATO will soon modify its stance on this issue. News reports quote one senior German official as saying that whenever anyone brings up the subject of Lance follow-on, "We all just laugh." I recognize that we have a commitment to our NATO allies on this missile, and leaving a little R&D funding in the budget is probably needed until the commitment is formally changed. But is it really necessary to request $112M in R&D which, when added to DOE's request, totals about $200 million? Why does the budget request, for this missile pretend that nothing is happening in Europe?

Answer: The President's budget provides the funding for the FOTL development program necessary to carry out NATO's consensus on such development and to protect our ability to begin to replace Lance by 1992. I support that budget and I believe any changes to the program should be based on collective NATO review and decision, not on a unilateral US unwillingness to fund agreed-upon commitments; I therefore strongly oppose cuts in this funding.

TRIDENT

Question: The FY-91 Defense Budget contains funding for the 18th Trident sub and long lead funding for the 20th Trident. Last year's five year plan provided long lead funding for the 23rd Trident. At 192 RVs per sub, 23 Tridents would give us 4416 RVs. Under the 4900 RV ceiling agreed to in Geneva, this would leave us room for just 484 ICBM warheads. Isn't it time to start slowing down Trident production or make provision to stop it in the near future? How many Tridents does the Administration want us to have under a 4900 warhead ceiling?

Answer: The Administration has not made final decisions on the force structure we would maintain under START limits; those decisions will be made once the Joint Chiefs have made their formal recommendations. That said, I also want to make clear my view that we should not act as if we assume START is complete and in place. It is not; we still have hard negotiating to do on important issues and we do not improve our ability to resolve those issues by unilaterally implementing an agreement that is not yet complete.

SECURITIES AND EXCHANGE COMMISSION

STATEMENT OF RICHARD C. BREEDEN, CHAIRMAN

ACCOMPANIED BY:
LAWRENCE H. HAYNES, COMPTROLLER
JOHN PENHOLLOW, DIRECTOR, DIVISION OF INVESTMENT MANAGEMENT

BUDGET REQUEST

Senator HOLLINGS. Mr. Breeden, we welcome you, sir.

Senator RUDMAN. Good morning.

Senator HOLLINGS. Our next request for the Securities and Exchange Commission for 1991 is $192,385,000, an increase of $25,752,000 over the amount currently available.

Last year, we were able to provide the full amount requested by the Commission by increasing the section 6(b) registration fees imposed by the Securities Act of 1933. I have always been fully supportive of the SEC during the Drexel Burnham bankruptcy. We must keep the momentum going. During our questions, I expect to examine the administration's requested $80 million fee increase proposal to make sure we have the necessary fees in place to underwrite the 1990 request.

Appearing on behalf of the Commission is the new chairman, Richard C. Breeden, who served previously in the White House and developed the plan to restructure the savings and loan industry. Mr. Breeden, your full statement will be included in the record.

Let me say right at the outset that I have always thought we made money with the SEC. You paid your way. The fees collected exceeded the amount of the budget. Is that not correct?

Mr. BREEDEN. That is true, Senator. It has been true, I think, every year for the last few years.

Senator HOLLINGS. We will include your statement in its entirety. You can go ahead and summarize it or give it in full as you wish, and then we will have a few questions.

Mr. BREEDEN. I have a short version of a longer statement.

Senator HOLLINGS. All right. Very good.

OPENING STATEMENT

Mr. BREEDEN. Chairman Hollings and Senator Rudman, it is a real pleasure for me to appear today on behalf of the Securities and Exchange Commission to present our fiscal 1991 budget request of $192.4 million. This level represents support by President Bush for an increase for the SEC of 14 percent over the 1990 appropriation of $168.7 million.

Over the past decade, dramatic changes have transformed the Nation's securities industry and capital markets. During the past 2 years, there have been several important developments in the marketplace. These include the tremendous increase in the internationalization of the world's markets, the continuing aftershocks of the October 1987 market break and the market decline we experienced in October 1989, the deterioration in the high-yield bond market, the need to monitor more closely the activities of broker-dealer affiliates and parent companies in light of the Drexel Burnham failure and the growing resource demands necessary to detect and combat securities law violations often on an international scale.

In presenting the 1991 budget request, the Commission appreciates the difficult issues presented by the budget deficit and the monumental task Congress faces in providing adequate funding for important national and international initiatives within existing budgetary constraints. In such an environment, increases for any agency must undergo a rigorous examination to ensure that the Nation's resources are directed properly. I am confident that the President's 1991 request for the SEC can withstand such an analysis.

AREAS OF SPECIAL FOCUS

Although the Commission will maintain its traditional comprehensive program of investor protection and market oversight, the budget increases for 1991 are focused on three areas that need special attention: First, as events have so dramatically reinforced, the securities markets remain vulnerable to rapid price movements. Volatility creates risks to market stability, which may also be affected by complicated investment products and the impact of trading strategies relating to the extremely highly leveraged stock index futures market.

The SEC must be able to monitor such market developments and to establish capital and other prudential requirements for broker-dealers, clearing corporations, and their members and other market participants that will help to ensure the integrity and stability of the market for the benefit of all investors.

At the same time, of course, the SEC must take actions that help keep the cost of capital formation competitive in this country.

Second, fraudulent activity continues to place investors at risk. This is particularly true with respect to small, unsophisticated investors. The SEC will emphasize cases involving penny stock fraud, actions by savings and loans and other financial institutions and market manipulations in an attempt to restore investor confidence.

Third, globalization affects all elements of the Nation's securities markets and each of the Commission's programs The SEC must continue its leadership in efforts to develop a multinational regulatory structure and to institute cooperation among nations to protect investors and to harmonize capital levels and other standards for securities firms, as well as to foster other steps to improve the stability of the global marketplace.

An example of what we believe to be the effectiveness of the SEC's activities involves our efforts to protect investors and to avoid financial exposure to the U.S. Government during the recent events concerning Drexel Burnham Lambert Group. The Commission is the primary regulator of Drexel Burnham's broker-dealer subsidiary and is also an oversight agency for the firm's government securities dealer. Together, these two firms had assets of more than $20 billion. The broker-dealer had more than 30,000 public customer accounts, which held approximately $5 billion in securities.

DREXEL BURNHAM

Drexel Burnham had sold the bulk of its retail accounts last June. At that time, even though a great many public accounts had transferred out, they still had more than $5 billion in securities being held within the firm.

As the liquidity crisis that ultimately caused Drexel's parent firm to seek protection in bankruptcy spread, the Commission moved swiftly to assure that the broker-dealer would not suffer a collapse that would result in the sudden institution of a securities investor protection corporation [SIPC] liquidation. By assuring that adequate capital remained available to the two regulated subsidiaries, the Commission and the Federal Reserve Bank of New York made it possible for an orderly winddown of the portfolio of those two subsidiaries and a transfer of most of the customer accounts to other broker-dealers.

In this manner, the market was protected from instability or other secondary problems. Most importantly, the failure of a $28 billion firm has not cost the American public or the Federal budget a single dollar aside from our normal agency resources. By contrast, several recent failures of comparably sized bank holding companies have cost the Federal budget as much as $1 to $3 billion in each case.

NEW RESOURCES

The 1991 budget represents an increase of $23.7 million over the agency's 1990 appropriation. The increase includes $11.7 million for mandatory personnel costs and other nondiscretionary increases. An additional $12 million will be used to fund program increases, including 147 personnel positions necessary to carry out the Commission's workload, an increase of 6 percent over the 1990 level.

Of the 147 new positions, we will propose to allocate 63 of them for the prevention and suppression of fraud; 33 for the regulation of securities markets; 25 for investment management regulation; and the remaining 26 to some of our other programs. These increases represent what we believe to be the minimum staff levels necessary to carry out the statutory obligations that the Congress has given to the Commission.

The Commission's 1990 appropriation increase began to address the imbalance between the SEC's resources and its responsibilities. The Commission greatly appreciates the support it received from this subcommittee and the Congress for our 1990 appropriation. The 1991 budget request is based on the 1990 appropriation, and it represents another vital step toward enabling the Commission to protect investors and to help reduce the cost of capital formation.

In addition to the budget savings from effective financial regulation, the Commission's 1991 budget request should be considered in relation to the agency's production of revenues substantially in excess of its budget. In each of the last 5 years, the filing fees collected by the Commission have significantly exceeded its appropriations.

For example, in 1989, the agency's collection of $213.8 million exceeded our budget of $142.6 million by $71.2 million in surplus. Current estimates for 1990 indicate approximately $236.6 million in collections and approximately $166.6 million in expenditures, for a surplus of around $70 million. In 1991, fee collections are expected to reach $243.8 million.

I might add also that those numbers do not include budget receipts reflecting criminal fines that may be received by the Treasury, in large part, not exclusively, but in large part because of the activities of the Commission in investigating improper activities.

PREPARED STATEMENT

This concludes my opening remarks and statement. I just wanted you to know that I look forward to working closely with you as the 1991 budget is developed. I am very happy to answer any questions.

[The statement follows:]

STATEMENT OF RICHARD C. BREEDEN

Chairman Hollings and Members of the Subcommittee: I am delighted to appear today on behalf of the Securities and Exchange commission to present its fiscal 1991 budget request of $192.4 million. This level represents support by President Bush for an increase for the SEC of 14 percent over the 1990 appropriation of $168.7 million.

Over the past decade, dramatic changes have transformed the nation's securities industry and capital markets. During the past two years, there have been several important developments in the marketplace. These include the tremendous increase in the internationalization of the world's markets, the continuing aftershocks of the October 1987 market break (including the rapid market decline on October 13, 1989), deterioration in the "high yield" bond market, the need to monitor more closely the activities of broker-dealer affiliates and parent companies in light of the failure of Drexel Burnham Lambert Group, Inc., and the growing resource demands necessary to detect and combat securities law violations.

These developments have all placed larger demands on the Commission if it is to succeed in its statutory duties of protecting investors and maintaining market stability and integrity. Together with the Commission's responsibility to regulate corporate disclosure in an environment of increasingly complex financial instruments and of rapid globalization, these trends have created a disparity between the Commission's statutory mandates and the resources available to discharge them.

In presenting the 1991 budget request, the Commission appreciates the difficult issues presented by the budget deficit and the monumental task the Congress faces to provide adequate funding for important national and international initiatives within the existing budgetary constraints. In such an environment, increases for any agency must undergo a rigorous examination to ensure that the nation's resources are directed properly. I am confident that the President's 1991 request for the SEC can withstand such analysis.

The Office of Management and Budget and the President have recognized the critical role that the Securities and Exchange Commission plays in ensuring the stability of the nation's economy by supporting this 14 percent increase for 1991. The requested level will permit the Commission to expend resources on critical new initiatives and to address the workload increases generated by continuing growth in financial markets.

Although the Commission will maintain its traditional, comprehensive program of investor protection and market oversight, the budget increases for 1991 are focused on three areas that need special attention. First, as recent events have so dramatically reinforced, the securities markets remain vulnerable to rapid price movements. Volatility creates risks to market stability, which may also be affected by complicated investment products and the impact of trading strategies relating to the extremely highly leveraged stock index futures market. The SEC must be able to monitor such market developments and to establish capital and other prudential requirements for broker-dealers, clearing corporations and their members, and other market participants that will help to ensure the integrity and stability of the market for the benefit of all investors. At the same time, the SEC must take actions that help keep the cost of capital formation competitive.

Second, fraudulent activity continues to place investors at risk. This is particularly true with respect to small, unsophisticated investors. The SEC will emphasize cases involving penny stock fraud, actions by savings and loans and other financial institutions, and market manipulation in an attempt to restore investor confidence.

Third, globalization affects all elements of the nation's securities markets and each of the Commission's programs. The SEC must continue its leadership in efforts to develop a multinational regulatory structure and to institute cooperation among nations to protect investors and to harmonize capital levels and other standards for securities firms, as well as to foster other steps to improve the stability of the global marketplace.

MARKET VOLATILITY, GROWTH, AND COMPLEXITY

During the 1980's, financial instruments grew rapidly in complexity, volume and availability, domestic and transnational trading volume reached record highs, and professional organizations and firms subject to Commission oversight increased dramatically in number, size, and diversity. These trends have affected all segments of the securities industry, including broker-dealers, investment companies, and investment advisers. Similarly, complex financial products will continue to be developed, such as asset-backed securities, market basket products, and hybrid securities of various types. Operating and trading methods will be created that also will require appropriate regulatory oversight.

The Commission is concerned about market volatility and its effect on individual investors, especially after the rapid October 13, 1989 market decline. As a result, the Commission staff is reconstructing trading events of that day and preparing a report. The report should be completed in the near future. In addition, the staff has been reviewing new circuit breaker proposals from the New York Stock Exchange, together with similar proposals of the Chicago Mercantile Exchange, to deal with market volatility. The Commission has deployed extensive resources during the past two years to resolve issues arising from the two October market crashes and continuing market-related issues.

An example of the effectiveness of SEC's activities involves our efforts to protect investors and to avoid financial exposure to the U.S. Government during the recent events concerning Drexel Burnham Lambert Group, Inc. The Commission is the primary regulator of Drexel Burnham's broker-dealer subsidiary and is also an oversight agency for the firm's government securities dealer. Together these two firms had assets of more than $20 billion. The broker-dealer had more than 30,000 public customer accounts, which held approximately $5 billion in securities.

As the liquidity crisis that ultimately caused Drexel's parent firm to seek protection in bankruptcy spread, the Commission moved swiftly to assure that the broker-dealer would not suffer a collapse that would result in the sudden institution of a Securities Investor Protection Corporation (SIPC) liquidation. By assuring that adequate capital remained available to the two regulated subsidiaries, the Commission and the Federal Reserve Bank of New York made it possible for an orderly wind-down of the portfolio of the two subsidiaries, and a transfer of most customer accounts to other broker-dealers. In this manner, the market was protected from instability or other secondary problems. Most importantly, the failure of a $28 billion firm has not cost the American public or the federal budget a single dollar aside from normal agency resources. By contrast, several recent failures of comparably-sized bank holding companies have cost the federal budget as much as $1 to $3 billion each.

Although our efforts worked well in the Drexel matter, in order to minimize the potential negative consequences to the entire economy associated with market disruptions, the Commission should be able to monitor fully the risk positions of market participants. Additional staff are critical for the market oversight functions to examine the proprietary risks and exposures assumed by major U.S. broker-dealers and their largely unregulated holding company affiliates. It is also critical that staff be available and adequately qualified to analyze and evaluate the effectiveness of SRO trading, surveillance, and transaction clearance and settlement procedures and programs. By working to reduce clearance and settlement risks, small increases in Commission staff can help reduce enormous credit risks to investors associated with the current system.

The securities markets are dominated increasingly by large institutions. Assets of investment companies (IC) continue to grow, setting new records. Investors put a record $89 billion into money market funds during 1989, bringing total assets of money market funds to nearly $415 billion, and all investment companies to $1.2 trillion, as of the beginning of 1990. In addition, the securities industry has introduced many new products, such as $23.5 billion of closed-end funds since the 1987 market break. Some closed-end funds have been used as vehicles for investing in foreign securities markets that may not otherwise be accessible to investors. The staff must monitor all these funds closely to ensure adequate investor protection.

The growth of IC assets to $1.2 trillion over the last several years has made investment companies into a key segment of the entire national financial system. Indeed, investment companies now hold assets greater than one-third of the entire market capitalization of U.S. equity securities. This growth has made the IC industry as important to the health and efficiency of the overall U.S. financial markets as banks, savings and loans associations, brokerage houses, and insurance companies. To the extent that individuals invest in the securities markets, they do so increasingly through IC's rather than by direct purchase of common stocks or bonds. As of the beginning of 1990, there were over 56 million shareholders in IC's, representing 23 percent of all Americans. All of these shareholders depend on the Commission to enforce the rules and regulations applicable to the operation of IC's and investment advisers.

As the country's population ages and remains in the work force longer, the amount of money in pension fund assets increases. A substantial portion of these assets is managed by registered investment advisers (IA's). From 1983 to the beginning of 1990, the number of registered IA's grew by 196 percent to 16,239, and the amount of assets under management grew by 557 percent to $4.4 trillion. This accounts for a substantial portion of all financial assets owned in the United States.

As a result of these remarkable changes, the Commission has focused increasing program resources on investment company and investment adviser inspections. The staff expects to examine 89 more investment companies in 1991 compared to 1989, an 11 percent increase. Similarly, an additional 340 investment advisers will be inspected in 1991 compared to 1989, a 30 percent increase. Although inspection resources are being used effectively and efficiently, these levels are barely keeping pace with industry growth.[1]

In order to oversee all elements of the nation's capital markets, the SEC needs additional staff to: monitor the proprietary risks and exposures assumed by market participants, including major U.S. broker-dealer firms, investment companies, and investment advisers at home and abroad; evaluate automated systems to determine the effectiveness of self-regulatory organizations' trading, surveillance, and transaction settlement procedures and programs; resolve conflicts and overlaps between the regulatory systems of the United States and other nations; and broaden the coverage of the SEC's examination program regarding investment companies and advisers and self-regulatory organizations and broker-dealer firms.

The work on these and other initiatives as described in the 1991 budget will require significant staff resources. The increases are necessary in order to respond appropriately to investor concerns about the markets. In the long run, they also save far greater potential losses and costs, as the Drexel case demonstrates.

LAW ENFORCEMENT ACTIVITY

The SEC is a law enforcement agency and must continue its vigilant protection of investors by detecting and prosecuting fraudulent activity in the marketplace. The Commission has, over the years, maintained a balance in the 10 types of cases instituted in its enforcement program. Although there has been a great deal of publicity in recent years about the activities of industry professionals engaged in insider trading and reporting violations, many less publicized cases also have been actively pursued. These include cases involving regulated entities, securities offerings, and financial disclosures.

For 1991 the Commission will place renewed emphasis on protecting small investors and on maintaining their confidence in the U.S. securities markets. State securities administrators have testified before Congress that small investors lose an estimated $2 billion a year as a result of fraud in the penny stock market.[2] This is an area where the Commission recently has made significant strides. The Commission's Penny Stock Task Force has generated an increasing number of cases in this area. Other cases are being pursued that directly affect small investors, including those involving regulated entities, market manipulation, and securities offering fraud. The recent criminal indictment of Meyer Blinder and others on securities fraud, wire fraud, and RICO counts, among others, was largely the result of the Commission's determined leadership in the fight to control penny stock fraud.

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[1] Total investment company assets of $1.2 trillion are now approximately equal to those of all thrift institutions. However, the Commission currently utilizes a staff of about 200 individuals to oversee these investment companies. By contrast, the Office of Thrift Supervision has a staff of nearly 3,700 and an annual operating budget of over $300 million to oversee a similarly-sized group of institutions.

[2] The Commission has not independently verified the accuracy of this figure.

Another focus of enforcement resources involves the problems of depository institutions, including banks and the savings and loan industry. The Commission announced formation of a new bank and thrift fraud unit in late December, 1989, with staff from the Division of Enforcement, supplemented by a similar unit in the Division of Corporation Finance. The combined efforts of these units will be dedicated to investigating and prosecuting securities fraud and other securities law violations by financial institutions. In addition to investigating financial fraud encompassing false financial statements and misleading disclosures, the traditional issues in such cases, the new enforcement unit also will examine sales by financial institutions of their own or affiliates' securities.

Timely enforcement actions by the SEC against insured institutions, or their holding companies or affiliates, that may be engaged in financial fraud can have a secondary effect of avoiding or reducing prospective budget costs to taxpayers. The Commission's current investigation of American Continental Corporation and its subsidiary, Lincoln Savings and Loan of California, is an example of a complex investigation of potential financial fraud that the Commission must have sufficient resources to pursue vigorously.

GLOBALIZATION

Internationalization of the securities markets presents tremendous opportunities for the nation, as well as potential risks. The United States has an enormous stake in the development of international policies concerning clearance and settlement systems, disclosure policies, accounting practices, information exchange, law enforcement, and broker-dealer capital and registration standards. These and other complicated issues related to developing a multinational regulatory structure for securities markets and market participants world-wide will require active leadership by the Commission. For example, as European markets become more unified in the years before and after 1992, the SEC must have the capability to participate actively in dialog with our European counterparts to ensure that U.S. institutions are treated fairly in this process, and that U.S. financial firms remain competitive in the global market.

In December, 1989, the Office of International Affairs was created to coordinate and facilitate the Commission's international activities. This office will take the lead in negotiating mutual information sharing agreements with foreign authorities throughout the 1990's. In addition to developing methods to obtain information abroad, the office will coordinate the Commission's efforts as it addresses other international issues such as effecting service of process abroad using various international conventions, freezing assets located abroad, and enforcing judgments against foreign parties obtained by the Commission in the United States.

One means for the Commission to help achieve greater safety in the global securities markets is through active involvement in the International Organization of Securities Commissions (IOSCO). IOSCO is the only multilateral organization of the world's securities regulatory authorities. The United States is chairing the IOSCO Executive Committee during 1990 and will be hosting the 16th annual IOSCO conference in the fall of 1991. This conference is a major forum for the development of supervisory policies affecting every world securities market. To provide its share of the costs as conference host, the SEC has included $100,000 in its 1991 budget for such items as simultaneous translation, facilities, and printing. Similar costs are borne annually by the host nation, such as Italy in 1989 and Chile in 1990.

The SEC is already deeply involved in global matters. However, the additional resources included in the agency's 1991 request are needed to undertake new initiatives in the international arena. International issues affect all the agency's programs, and there are not presently sufficient resources available to undertake all of them. Significant international priorities include: increasing the Commission's efforts to improve and harmonize international accounting and auditing standards; removing barriers to transnational capital formation, the extension of shareholder rights, and investor protection abroad; developing procedures with the European Community (EC) to ensure open opportunities for all types of U.S. securities firms and products to compete in the E.C. market; developing common capital standards for broker-dealers and other institutions engaged in the securities business; examining intermarket trading links and the surveillance agreements accompanying such links; and preventing penny stock manipulation and insider trading through foreign entities.

AGENCY REQUEST

The 1991 budget represents an increase of $23.7 million over the agency's 1990 appropriation. The increase includes $11.7 million for mandatory personnel costs and other nondiscretionary increases. An additional $12 million will be used to fund program increases, including 147 positions necessary to carry out the Commission's workload, an increase of 6 percent over the 1990 level. The 147 position increase will be allocated to the SEC's programs as follows: 63 for Prevention and Suppression of Fraud; 33 for Regulation of Securities Markets; 25 for Investment Management Regulation; 14 for Full Disclosure and EDGAR Management; 10 for Legal Services and Economic Research; and 2 for Program Direction.

Other program funds are included to provide the Commission with essential EDGAR support and data processing resources necessary to support new enforcement initiatives, international data linkages, integrated office automation, and increased regulatory databases. The request for additional hardware, software, and contract support for access to outside databases will be critical to success in these efforts. These increases represent the minimum staff levels necessary to carry out the statutory obligations given the Commission by the Congress.

The Commission's 1990 appropriation increase began to address the imbalance between the SEC's resources and its responsibilities. The Commission greatly appreciates the Congressional support it received for the 1990 appropriation. The 1991 budget request is based upon the 1990 appropriation, and it represents another vital step toward enabling the Commission to protect investors and to help reduce the cost of capital formation.

IMPACT OF REDUCED RESOURCE LEVELS

During the past few years, the Commission has been able to perform its regulatory tasks in an exemplary fashion. If its resources are not increased, it cannot provide assurances that its successes in protecting the public and overseeing the markets can be sustained. The SEC needs the meaningful increases in budget and staffing that are contained in the President's 1991 budget. The importance of adequate oversight of the securities market has obviously been heightened by the market events since October, 1989.

Should appropriations be enacted at a level substantially below the request, the likely result would be that only those efforts absolutely required by the various securities laws would be supported. Only limited resources would be available for priority initiatives. In terms of programmatic impacts, the Commission would be forced to: seriously curtail the penny stock and other enforcement initiatives, removing the prophylactic effect against major investor fraud; substantially reduce the number of broker-dealer and investment company examinations, resulting in serious risks to investors and limited deterrence for abusive practices, misconduct, and violations of the securities laws; severely reduce the number of periodic reports by securities issuers that would be reviewed, including annual, quarterly and current reports, thereby increasing the potential for financial fraud that may impact negatively on investor protection; and potentially compromise the leadership role of the United States in the area of international securities regulation or cause tradeoffs in other program areas such as law enforcement.

In addition to the budget savings from effective financial regulation, the Commission's 1991 budget request should be considered in relation to the agency's production of revenues substantially in excess of its budget. In each of the last five years, the filing fees collected by the Commission have significantly exceeded its appropriations. For example, in 1989, the agency's collections of $213.8 million exceeded the Commission's $142.6 million budget by $71.2 million. Current estimates for 1990 indicate approximately $236.6 million in collections and approximately $166.6 million in expenditures for a surplus of $70 million. In 1991, fee collections are expected to reach $243.8 million.

I look forward to working closely with you as the 1991 budget is developed. I am pleased to answer any questions that you may have.

FEE PROPOSALS

Senator **Hollings**. The obvious question, Mr. Breeden, of course, is that the SEC, operating last year with the $71 million surplus and a projected surplus of at least $70 million this fiscal year. Looking into 1991, with fee collections increasing, why are we asking for an increase in fees? In other words, the administration wants a fee increase while you have got surpluses around here.

This is the core issue. Are we going to use Social Security for our spending deficit? Are we going to use the highway trust funds for the congressional deficit? Are we going to use the airport and airways trust fund and now we are going to use the SEC to finance the B-2 Stealth bomber?

Senator **Rudman**. It may be the only way we can do it, Mr. Chairman.

Senator **Hollings**. Yes.

Mr. **Breeden**. I was listening to the previous conversation.

Senator **Hollings**. That is what I have got in mind.

Senator **Rudman**. We ought to increase it even more.

Senator **Hollings**. And I will walk stealthily out.

Mr. **Breeden**. Senator, I heard the price tag you quoted for those machines; I am afraid that our fees would not begin to come close.

Senator **Hollings**. Say that I am a securities dealer or I am into stocks or otherwise in the industry, and I am saying, "Why are you increasing my fees when you have got more than enough to run the business?"

Did you recommend that increase?

Mr. **Breeden**. This proposal is not a Commission proposal.

Senator **Hollings**. Ah. There we go.

Senator **Rudman**. You are really shocked at that answer, Mr. Chairman.

Senator **Hollings**. Yes; now we know.

Mr. **Breeden**. Senator, I will also add that the fee proposals that OMB has made are essentially the same as those made in the House proposals last year in the budget reconciliation, so it reflects a level——

Senator **Hollings**. Which I voted against.

Mr. **Breeden**. But pointing out that the genesis of those numbers was not that of OMB.

Senator **Hollings**. You don't think so? You know what? In January we gave Darman hell and then solemnly in June adopted it in law.

Senator **Rudman**. Is that right?

Senator **Hollings**. Exactly what we said, it was just absolutely outrageous. Then we think it is just right, as you indicated in the budget reconciliation.

Senator **Rudman**. Just on the question of fees, before we leave that, my understanding is that there is some feeling at OMB and in your own general counsel that the language of our bill last year makes those temporary and not permanent. Is that correct?

Mr. **Breeden**. There is some question.

Senator **Rudman**. We will fix that. We thought the language was very explicit, but it is easy to make it even more explicit.

Senator **Hollings**. That is not the requested increase, though.

Senator RUDMAN. I am talking about what we did last year to bring that up. We thought that was permanent. I still think it is permanent, but evidently, there are some people who read it somewhat differently, but that is really minor.

Mr. BREEDEN. I think, Senator Hollings, your concern about not raising fees too high is a very realistic one. Obviously——

Senator HOLLINGS. Read our lips. We have got to get reelected.

Mr. BREEDEN. And we live in a very competitive world market. We agree that transactions can occur in London or Tokyo or New York.

FOREIGN EXCHANGE FEES

Senator HOLLINGS. How do our fees compare with London?

Mr. BREEDEN. If we raise them too high, we will at some point encounter a problem.

Senator HOLLINGS. I suspect we might. How do our fees compare with Tokyo or London?

Mr. BREEDEN. I would be happy to try to give you a specific breakdown. It is not easy, because the transactions on which fees are placed are very different, and so the fee collections vary substantially from country to country.

In a number of countries, including, I think the United Kingdom and I know France, and a number of the other continental countries, the securities regulation is fully self-funded, and they simply raise the fees up and down each year to adjust for their own operations. I don't know whether they produce surpluses.

[The information follows:]

FILING FEES

At present, the Commission's fee collection system is transaction-based. Fees are based on the dollar amount involved in transactional filings. This fee collection system resulted in approximately $154.4 million in Division of Corporation Finance related filing fees collected in fiscal year 1989 (overall, the Commission collected approximately $214 million in filing, transaction, and reporting fees in 1989).

In Tokyo, an annual listing fee is charged based on the type of security, the amount of securities listed (or the number of issues listed), and whether an issuer is domestic or foreign. Issuers pay a set fee of 300,000 yen or about $2,053 (as of 1/19/90, 146.1 yen=U.S. $1) for 10 million shares or less, plus an additional 26,000 yen or about $178 for each two million shares over the 10 million up to 40 million, then an additional 26,000 yen per four million shares in excess of 40 million up to 120 million, and so on. Foreign issuers pay half as much.

In London, an annual fee is charged based on the nominal value of the company's listed equity (similar to par value in the U.S.). There is a minimum fee of 1,120 pounds (for equity below one million pounds) and a maximum fee of 19,760 pounds (for equity in excess of 2 billion pounds)—fees of $1,842 and $32,500 respectively (as of 1/19/90, 0.608 pounds=U.S. $1). As in Tokyo, foreign issuers pay half as much.

Thus, while SEC fees are transaction-based, Tokyo fees are annual, and based on the number of shares listed on the exchange, and London fees are annual and equity-based.

SUPPORT FOR SEC BUDGET

Senator HOLLINGS. Congress has always had a transfer fee. Every time we look for money, they say, "Well, we will just transfer the business from New York to London." Now I find London in trouble. But I am just trying to see whether that was a viable option when they get these transfer fee debates out on the floor of the Congress, which we won't do again. We are looking around, as I can see here, to increase fees for the SEC. I guess we will get the Patent Office. It pays for itself with a surplus. Maybe we ought to increase the fees there while they are not looking.

I just really don't believe you ought to put up your own operation. You have got enough troubles. You are doing policemen's work, and in that work, you have got to be right up to snuff, as they say, in Kansas City. You might be overstepping what was increased last year to have another increase that is not warranted. That is what I am disturbed about. Seventy million dollars doesn't mean anything to a deficit the size we have.

Senator RUDMAN. The issue that really is probably of more concern is the appointing of a former White House official as chairman. I think in terms of his own operation, I am reasonably certain that we will fund it about the way you have asked us to fund it, because we have got a very positive view of this agency, both under your predecessor and, from what I know, under you.

So you better do a good job after all the good things I said about you at your nomination hearing. He is married to a lady from New Hampshire.

Senator HOLLINGS. Is that right. [Laughter.]

MARKET REFORM ACT

Senator RUDMAN. Let me just ask this question. You have testified over at the Senate Banking Committee about the collapse of Drexel Burnham, and you pointed out the huge amount of very risky securities they had in their portfolio. You have called for a new reform act, particularly on these holding companies that aren't subject to regulation.

Do you feel you got a reasonable reception on that before that committee? Are you getting much industry opposition on that, as I expect you might?

Mr. BREEDEN. Well, we had a very strong reception from the Banking Committee and, in fact, the Banking Committee has already passed a Market Reform Act that contains the proposals that we have suggested to expand our early warning system to embrace the activities of these holding company affiliates. So that bill is awaiting floor action in the Senate right now.

On the House side, we have not yet had a markup in Energy and Commerce, and there has been considerable opposition from some elements of the industry.

Senator RUDMAN. On what basis?

Mr. BREEDEN. On the basis that they have argued that our oversight should be limited to the broker-dealer regulated entity and should not extend beyond that. They have raised concerns over costs and over the possible release of confidential information. A number of other arguments have been raised, most of which we think were taken care of in the drafting of the language.

Senator RUDMAN. Your concern is that since there is such a connection between the two, those that you regulate and those that you don't, if you don't have adequate disclosure in those that you don't, then you might be doing a very good job in what you are authorized to do and lose the baby with the bath water, if I understand what you said. Is that about right?

Mr. BREEDEN. Yes; it is a little bit like being told that we are supposed to be the doctor who examines the patient, but we can only look at the right arm from the elbow to the wrist and we are not supposed to look at the rest of the body. It is very unrealistic.

DREXEL BURNHAM BONUSES

Senator RUDMAN. Another issue on the Drexel Burnham matter, I understand that there were bonuses paid in the area of one-quarter of $1 billion to executives at a time when they had not paid their full SEC fine and had not paid other things that they owed. In fact, I understand there is still $150 million owed in penalties.

Are they acting in some way on that to see whether or not that was an ultra vires act of that appropriation in terms of its pending bankruptcy?

Mr. BREEDEN. Yes, sir; we are. First of all, at the time the bonuses were paid, Drexel was not in default on their payments under the settlement agreement. There was a $50 million payment that is due this September and a remaining $100 million payment that is due in 1991. So they had paid in accordance with the schedule that had been laid out under the settlement agreement for the Government.

But they have not paid this $150 million. And, with their bankruptcy filing, they may not be able to pay. We are a creditor in that amount. When we became aware that these bonuses had been paid, I instructed our Enforcement Division to commence an immediate investigation to determine who got paid and how much and whether they were paid under fixed agreements that had been in place for a long period of time.

Senator RUDMAN. Bill agreements.

Mr. BREEDEN. Or whether these were discretionary payments made in contemplation of bankruptcy, and, if they are, we plan to take some action.

Senator HOLLINGS. What did you find, or is perhaps you don't know yet?

Mr. BREEDEN. We have some of the results of that inquiry back, but we are taking statements from participants at the current time.

Senator RUDMAN. How long before the bankruptcy were the payments?

Mr. BREEDEN. Less than 90 days.

Senator RUDMAN. Less than 90 days.

Senator HOLLINGS. Yet in June, they were already spinning off. They weren't in bankruptcy.

Senator RUDMAN. I used to qualify to practice law, but I still remember that 90-day figure from bankruptcy laws, so I am sure the bankruptcy court will be looking at that, and I am sure you will be.

Mr. BREEDEN. I can assure you we will complete our inquiry before the 90 days.

Senator HOLLINGS. I am just harkening the previous answer that in June, they spun off. If you had $300,000 and you still have $30,000 remaining, then you have spun off some $270,000 by going out of business, and then you give yourself a bonus for going out of business, and then you declare the bankruptcy. Is that how it works? [Laughter.]

Senator **Rudman**. Is that a proposal?

Senator **Hollings**. I am just wondering if that is the fact.

Mr. **Breeden**. The sequence of events is as you describe them. The question of the knowledge and the motivations and so on of the participants is something we don't know.

Senator **Hollings**. I know about their motivations. I can testify to that. We even know who they are.

Mr. **Breeden**. It is interesting that there has been a fair amount of commentary on the steps that were taken in that case and the role of the firm's conviction and plea agreement that they reached with the Government and other events in their demise. But, after the Government's settlement of that case, the firm made a decision not to become less dependent on the high-yield market but to become more dependent on it, because they sold off all of their retail operations and they ceased to be what the firm originally had been, a retail brokerage business.

EDGAR PROJECT

Senator **Rudman**. I just have one last question. That is the Edgar project which we have been funding. How are we doing on that?

Mr. **Breeden**. I go up to see it regularly. It seems to be doing fine.

Senator **Rudman**. Humming?

Mr. **Breeden**. Humming away. The schedule has, I suppose not uniquely in Government, slipped a bit. The pilot project has been extended for another year. We have been working on the software to be provided to filers and on installation of the work station. The project is moving forward, I think, in an effective manner, but there has been slight slippage.

Senator **Rudman**. What is its completion date scheduled for now? When it is going on on line?

Mr. **Penhollow**. I am the Edgar project manager. We are currently planning to bring the system up for testing in January of next year and give the pilot filers an option for filing on it live in mid-1991.

Senator **Rudman**. When we originally started this project, when was the date that it was supposed to be completed?

Mr. **Penhollow**. We were hoping to actually bring the pilot filers over around the middle of this year.

Senator **Rudman**. By Government standards, that is no slip at all.

Mr. **Penhollow**. It is a slippage in my book.

Senator **Rudman**. As DOD would say, "That is ahead of schedule." [Laughter.]

Mr. **Breeden**. We are trying to stay on our schedule.

UNIQUENESS OF DREXEL BURNHAM

Senator **Hollings**. Let me ask this. Is Drexel Burnham unique from your standpoint, Mr Chairman, or are we to expect more like that? I was listening to the radio this morning, with respect to

Shearson buying out and all the folks losing some $20 per share and everything else of that kind. What is going on now?

Mr. **Breeden**. Drexel was a very unique case.

Senator **Hollings**. It was unique.

Mr. **Breeden**. Due to a number of factors, criminality in its background and its concentration on the high-yield market. That is not to say that other firms aren't having operating difficulties. This is not a boom time on Wall Street these days. A number of firms are trying to cut costs, and some of tnem have reported operating losses.

So I wouldn't want people to draw a connection that other firms that may have announced steps to bolster their capital or reduce costs are in any way tied to difficulties Drexel experienced, because those were quite unique.

Senator **Hollings**. When does Michael Milken come to trial?

Mr. **Breeden**. I can't give you a date. Our own trial would have to await the completion of the criminal proceedings. The Justice Department has announced that there will be a superseding indictment, and we will know better when that indictment is returned what the actual criminal trial date might be. Our proceeding would commence after that proceeding.

EXECUTIVE DIRECTOR

Senator **Hollings**. Have you got a replacement for George Kundahl?

Mr. **Breeden**. We are actively interviewing to replace George. Those are difficult shoes to fill. We have had about 70 applicants for that. We widely posted the vacancy throughout the Government.

ADDITIONAL COMMITTEE QUESTIONS

Senator **Hollings**. I am going to put these questions in the record.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

PUBLIC UTILITY HOLDING COMPANIES

QUESTION:

In our hearings last year we discussed the backlogs in the processing of the filings of the public utility holding companies. The 1988 backlog was 34 and the SEC projected it to grow to 79 in 1989 and 139 in 1990. We directed that $500,000 and appropriate additional professional staff be added to this area to get and keep current with the backlogs.

I am advised that the Commission has allocated eight additional positions to the Division of Investment Management targeted to public utility holding company activities.

1. Have all of the eight positions been filled?

2. What was the actual backlog for 1989 and what do you project it to be in 1990 and 1991?

ANSWER:

The division was authorized to hire eight additional staff in 1990. As of March 12, five additional staff have been added. Two additional staff are expected to begin by the end of April. The full benefit of the new positions will not be achieved this year due to the time required to recruit, hire, and train additional staff. As a result, gains attributable to new staff will not be realized fully during 1990.

In January 1989, the Division of Investment Management estimated that there would be a backlog of 139 filings at the end of 1990. However, this estimate has been revised to only 50 filings. This reduction is due to increased staff productivity and fewer filings received as a result of exempting certain filers (Rule 52).

The division estimates that the backlog will be reduced by an additional 60% to 20 filings by the end of FY 1991. The backlog is currently 69 filings.

DREXEL BURNHAM BANKRUPTCY

QUESTION:

When Drexel Burnham declared bankruptcy on February 13, 1990, there were news stories saying that the firm was looking to the White House and the SEC for assistance. I am glad that no assistance was offered as the American taxpayers are already strung out on the bad management of the S&Ls and they don't need to take on the obligations of the junk bond dealers.

However, what existing authority would the SEC have to provide assistance in a matter such as this?

ANSWER:

Drexel Burnham Lambert Group, Inc., the parent holding company, found itself in a liquidity crisis and began pulling capital from its broker-dealer subsidiaries. During January 1990, the holding company withdrew approximately $400 million from its subsidiaries which reduce substantially their capital cushion. In order to protect customers and counter-parties of the firm, the SEC and the New York Stock Exchange disallowed the transfer of any further capital from Drexel's subsidiaries to the parent. The only relief the SEC could have provided was to allow the continued withdrawal of capital from the broker-dealer subsidiaries. However, it appeared that default was unavoidable and the SEC decided to protect investors.

The SEC's net capital rule requires that a firm cease doing business while in violation of the net capital rule. While the Commission theoretically could grant an exception to this rule, it has not done so except when the firm was liquidating under the Commission's auspices and all the customers were protected. Unfortunately, the Commission has no authority to monitor the financial condition of a broker-dealer's parent, and thus has no proper means to anticipate a situation in which a non-liquid parent may begin massive withdrawals from its subsidiary. However, it should be noted that the parent may not withdraw money which could take the broker-dealer below certain so-called early warning levels that are set at higher levels that the minimum levels.

QUESTION:

At last year's hearing, Chairman Ruder indicated that the anticipated final settlement with Drexel Burnham would contribute $300,000,000 in FY 1990 to the U.S. budget. How much was the amount of the Drexel fine and did the United States receive all of it before they declared bankruptcy?

ANSWER:

The SEC's settlement of its enforcement action with the Drexel Burnham Lambert Group Incorporated (Group), the parent holding company, and Drexel Burnham Lambert Incorporated (Drexel), the broker-dealer subsidiary, became effective in September 1989. Pursuant to the settlement, Drexel and Group together paid penalties of $300 million to the United States Treasury and paid $200 million into a fund to pay claims against Drexel and Group arising out of the activities of Drexel's High Yield Bond Department. An additional $50 million is due in September 1990 and a final $100 million payment is due in September 1992.

The duty to pay the $150 million balance into the Disgorgement Fund for the benefit of defrauded investors is a joint and several obligation of Drexel and Group. Group is in bankruptcy and Drexel is not. Although Group did not list the Commission as a creditor in its bankruptcy petition, the Commission has filed its claim in Group's bankruptcy proceeding and intends to pursue this claim vigorously.

QUESTION:

Similarly, Chairman Ruder said that the SEC settlement with Drexel Burnham would establish a structure for distributing $350,000,000 to persons injured by Drexel Burnham. I understand that $200,000,000 has already been received. What about the remaining $150,000,000, how does that stand in view of the bankruptcy?

ANSWER:

The duty to pay the $150 million balance into the Disgorgement Fund for the benefit of defrauded investors is a joint and several obligation of Drexel Burnham Lambert Group Inc. (Group) and its broker-dealer subsidiary, Drexel Burnham Lambert Incorporated (Drexel). Group is in bankruptcy and Drexel is not. Although Group did not list the Commission as a creditor in its bankruptcy petition, the Commission has filed its claim in Group's bankruptcy proceeding and intends to pursue this claim vigorously.

Drexel and Group are both currently in liquidation and the Commission is carefully monitoring and assisting Drexel's liquidation. Until the liquidation of Drexel and Group is further along, it is premature to speculate about the likelihood that the balance owed to the Disgorgement Fund will be paid by either. Obviously, however, Drexel's payment of $199 million in cash bonuses in the months prior to the Group's bankruptcy filing reduces its (and Group's) ability to satisfy the judgment.

QUESTION:

Ordinarily we have complaints of the government's prosecutorial forces overwhelming besieged defendants. How much has the SEC and Justice spent on prosecuting Mr. Milken? How much SEC staff time, and at what cost, is now tied up in the Milken case?

ANSWER:

The Commission has spent almost 85,000 hours on the Drexel/Milken investigations and litigation. Both the investigation and the litigation are continuing. Of the 85,000 hours, about 29,000 have been devoted to the litigation. Assuming that all 85,000 of these hours were reported by professional staff, the total cost to the Commission to date for this matter would be less than $2.2 million. The actual costs are less for two reasons. First, a considerable portion of the professional staff time is uncompensated "donated" time, *i.e.*, unpaid overtime. Second, some of the work was, in fact, done by support staff who are compensated at a lower rate than professional staff.

The Office of the United States Attorney for the Southern District of New York advises us that it has spent considerably less than the Commission on these matters.

Reports in the press have stated that Drexel spent $100 to $150 million for attorneys' fees and other expenses relating to the Commission's investigation and lawsuit prior to its settlement with the Commission and the Office of the United States Attorney for the Southern District of New York.

SUPERVISION AND REGULATION OF SECURITIES MARKETS

QUESTION:

What additional authority does the Commission need to deal with market volatility such as the stock market crash in October 1987 and the steep decline experienced in October 1989? What is the Commission doing to standardize rules, such as "circuit breakers," margin requirements, and short selling rules to curb excess market volatility?

ANSWER:

In response to concerns raised by the market events of October 1987 and 1989, the Commission has proposed market reform legislation that would provide for:

- information reporting by broker-dealers about the operations of their holding companies and affiliates for purposes of risk assessment;
- large trader reporting;
- enhanced authority for the Commission to facilitate developing a coordinated clearance and settlement system; and
- emergency authority for the Commission to halt trading or take other action in the event of a severe market disruption.

Of these provisions, the holding company risk assessment section is particularly critical to the Commission's ongoing efforts to monitor risks to the stability and integrity of the nation's securities markets. As the recent events involving Drexel Burnham Lambert, Inc. demonstrate, the Commission must have regular information regarding a broker-dealer's holding company and related corporate organization if market participants, lenders, and public customers are to maintain confidence in the integrity of broker-dealers and U.S. securities markets. The market reform legislation, which is pending in the Senate as S. 648 and in the House as H.R. 3656 and 3657, would give the Commission the tools and information it needs.

The large trader reporting and clearance and settlement portions of the market reform bill also are vital to the Commission's ongoing regulatory efforts. The information obtained from the large trader reporting program would:

- be similar to the information that the CFTC currently receives;
- help the Commission to detect manipulative and other abusive trading practices; and
- facilitate investigations into possible illegal activities.

The clearance and settlement authority, meanwhile, would facilitate the development of a coordinated clearance and settlement system and give the Commission the authority, under carefully delineated conditions, to adopt rules that would preempt state laws that impair the safe and efficient operation of the clearance and settlement system.

The Commission believes that circuit breakers promote market stability by providing market participants with breathing room to react to a steep market decline generated by institutional selling. Currently, the Commission is reviewing the performance of several of the "circuit breakers" that have been triggered over the past five months. In addition, the Division of Market Regulation is reviewing two proposals by the New York Stock Exchange (NYSE) to modify its circuit breaker procedures. Finally, the Commission continues to work closely with the CFTC to coordinate any changes to current circuit breaker procedures.

The Commission believes that lower margins for derivative products have contributed to institutional trading strategies that have greatly increased the volatility and concentration of stock trading. One method of alleviating this volatility would be for Congress to set a minimum margin level for all equity products of 20-25%. This "national speed limit" for margins would help ensure that, with interconnected equity markets, no single market becomes excessively leveraged.

The Commission views the short sale rule, Rule 10a-1 under the Exchange Act, as playing only a small role in reducing market volatility. The rule was designed principally to prevent manipulative sales of a security for the purpose of accelerating a decline in the price of that security. The Commission believes that the extension of short sales restrictions to the options and futures markets is not operationally feasible.

QUESTION:

The Working Group on Financial Markets, of which the SEC is a member, was created by the President in March of 1988. Its charter is to seek resolution of the complex problems raised by the market crash of October 1987. Although some progress has been made in coordinating circuit breakers and improving clearance and settlement systems, some changes have not been made. The Commission has projected an increase in total staff years in Supervision and Regulation of Securities Markets from 279 to 304 in 1991.

How many of these staff members, if any, will be devoted to pursuing completion of Working Group initiatives?

ANSWER:

The Commission is committed to pursuing completion of the Working Group's initiatives and many of the recommended changes have been implemented. For example, considerable progress has been made in the clearance and settlement area, particularly in accelerating trade comparison to a next-day basis and in establishing pilot programs for cross-margining positions in securities option contracts and related futures contracts. Other changes, of an intermarket nature, have yet to be implemented, particularly in clearance and settlement. The additional resources in the Supervision and Regulation of Securities Markets (allocated among headquarters and regional offices) will permit the SEC to move forward with these recommendations. The additional resources (3 staff years allocated to headquarters and approximately 5 staff years allocated to regional offices) will permit expanded staffing of and inspections support for a capital markets group within the Office of Financial Responsibility and Inspections to identify and address capital and oversight issues that, for example, are raised by holding company structures in the securities industry (Drexel Burnham Lambert Group, Inc. was one such firm). The additional resources (9 staff years) also will permit the Office of Self-Regulatory Oversight to devote attention to intermarket)securities, options and futures) and international market matters.

LEVERAGE OF PENSION FUNDS

QUESTION:

Recently, some large state of California pension funds injected themselves into the selection of a new chairman of the board of directors of General Motors. During the 1980s we entered the reign of the leveraged buyouts and the bottom line mentality. Now we have persons with no relationship to the business, except making profits for pension funds, wanting a greater voice on the management of the corporations.

Perhaps this is a further ramification of the free-market, deregulated economy, but are these moves of the money managers to select corporate leaders of any concern to you Mr. Breeden?

ANSWER:

State law now allocates to directors the responsibility for the selection of management. I am not aware of any evidence indicating that money managers or other institutional investors improperly exert influence over this process. Stringent controls over institutional proxy voting and investment decisions, in the form of comprehensive fiduciary duties prescribed by ERISA, federal and state banking regulations, state statutory and common law of trusts, and the Investment Company and Investment

Advisers Acts of 1940, are designed to ensure that this broad voting and investment power is exercised in the best interest and for the exclusive benefit of trust beneficiaries.

To the extent that money managers do attempt to influence management selection or otherwise participate actively in corporate governance, their activities are constrained by this "exclusive benefit" rule. In some cases, fiduciary standards prescribed by federal and state regulators and the courts are now being seen as requiring more active institutional monitoring of corporate performance. This may occur through the exercise of proxy voting responsibilities to enhance the value of portfolio securities, which should have the positive effect of strengthening management accountability to all shareholders.

QUESTION:

Given the volatility of the market, such as the October 1987 market break, and the 190-point drop on October 13, 1989, should we have pension funds in the stock market? I realize they are a large part of the market today, but wouldn't pension funds be safer in corporate and government bonds?

ANSWER:

I do not believe that U.S. workers would be well served by preventing pension funds from investing in the stock market. Pension funds represent the primary retirement assets of many of our nation's workers. These workers want to earn the best return possible on those retirement assets without taking excessive risks. Despite periods of short-term volatility, over the long term the U.S. stock market has performed very well. For example, from 1980 to 1989, the Standard and Poor's 500 Stock Index rose at an average rate of 18.2% per annum. Indeed, equities have substantially out-performed debt securities (both corporate and government) for decades.

Barring pension funds from investing in the stock market would thus almost certainly reduce their long-run performances resulting in lower benefits in many cases. In addition, this step might also impair the ability of U.S. corporations to raise capital, thereby adversely impacting the employment prospects of the very workers intended to be served by these funds.

Pension funds are one of the primary vehicles in the U.S. economy for individual savings, and preventing pension funds from investing assets in U.S. corporations would effectively reduce the pool of savings available for investment in U.S. corporations, thereby raising the cost of capital and forcing U.S. corporations to seek foreign capital to replace the U.S. pension fund capital that would no longer be available.

Finally, prohibiting pension funds from investing in the stock market might increase stock market volatility. Particularly in times of market stress, liquidity is extremely important. Eliminating pension fund participation in the stock market, however, would reduce market liquidity. As a result, the stock market might function less efficiently and might become more volatile if pension fund investments in common stocks were prohibited.

PREVENTION AND SUPPRESSION OF FRAUD

QUESTION:

The SEC has stated that small businesses and small investors are victims of penny stock fraud. What is the Commission doing to attack the penny stock fraud problem? What efforts are being taken to protect the small investor from fraud and to restore investor confidence?

ANSWER:

In October 1988, the Commission established the penny stock task force (task force) to address the increasing problems of manipulation in the over-the-counter market for low-priced securities. It includes senior staff representatives from each of the Commission's regional offices and operating divisions. The task force identified four goals for the Commission in its efforts to combat penny stock fraud:

- increased coordination and information-sharing with other federal, foreign, state and local regulators and prosecutors;
- stepped-up enforcement activities, including criminal referrals when appropriate;
- targeted regulatory solutions; and
- investor education.

The Commission has made significant progress in each of these areas. Ten regional meetings have been held around the country with federal and state regulators and prosecutors, including staff from various U.S. Attorneys' Offices, the Federal Bureau of Investigation, the Internal Revenue Service, the U.S. Postal Inspection Service, and the National Association of Securities Dealers. In addition, enforcement actions increased by 58%--from 43 in FY 1988 to 68 in FY 1989.

In the last 19 months, the Commission's regional offices have completed 197 examinations of penny stock broker-dealers. These examinations have uncovered serious violations involving excessive mark-ups, market manipulation, high-pressure boiler-room sales practice abuses, and misrepresentations concerning the business activities and financial condition of corporate issuers. Enforcement referrals have been made in 94 (47.7%) of the completed examinations, and an additional 20 examinations (10.2%) have been referred to the NASD for enforcement consideration.

Also, new rules have been adopted that require brokers selling most non-NASDAQ over-the-counter securities to make a written suitability determination for each investor, and to obtain the investor's written approval on the first three purchases before those transactions are executed.

Legislation has been proposed which is intended to alert the broker-dealer trading community to situations where quotations might facilitate fraudulent or manipulative schemes.

Finally, the task force is concerned about alerting the investing public, particularly small unsophisticated investors, to the risks of penny stock fraud. To increase investors' awareness of how to recognize and avoid fraudulent penny stock schemes, the Task Force has written and distributed three investor bulletins on penny stock fraud as follows: "Beware of Penny Stock Fraud!"; "Penny Stock Telephone Fraud"; and "New Penny Stock Cold Calling Rule." A fourth brochure is planned which would inform legitimate small issuers about the process of "going public" and factors to consider in order to avoid involvement in a penny stock fraud scheme.

QUESTION:

The Office of International Affairs was created to coordinate and facilitate the SEC's international activities. What functions will this office perform?

ANSWER:

The Office of International Affairs will be the principal point of contact for the negotiation and implementation of the Commission's Memoranda of Understanding. It will serve as a central point of contact for communications with foreign authorities. It is responsible for coordinating the Commission's responses to foreign initiatives and with multilateral organizations such as the International Organization of Securities Commissions. The office also will develop domestic initiatives to enhance the Commission's international enforcement program. The initial five positions in the office were transferred from the Division of Enforcement where the office had previously been established.

QUESTION:

Throughout the latter part of the last decade, SEC enforcement activities emphasized insider trading and large transactions. What will be the focus for 1991?

ANSWER:

The Commission's vigilance in protecting the marketplace from insider trading fraud and violations involving large securities transactions, many of which have focussed on violations by industry professionals and others in the merger and acquisitions area, will continue. The Commission, however, maintains a balanced enforcement program aimed at a presence in each area subject to its jurisdiction. While insider trading or large securities transaction cases may grab the lion's share of attention from the national press, the Commission's efforts to maintain a comprehensive program are reflected by the fact that in each year in the last decade the majority of the Commission's cases have not been insider trading or large transaction cases. Instead, the majority of those cases have been in more traditional enforcement areas such as securities offering cases and cases involving regulated entities--areas that may be perceived as being more directly related to small investor protection.

For 1990 and 1991, the Commission is placing renewed emphasis on the protection of small investors and on maintaining their confidence in the fairness and integrity of the nation's securities markets. We expect that the continuation and expansion of the Commission's enforcement efforts against violations by regulated entities, market manipulations and securities offering and financial disclosure fraud (including increased enforcement actions involving thrifts and other financial institutions) will increase further the confidence of small investors in the securities markets.

QUESTION:

What is the International Organization of Securities Commissions? What is the SEC's involvement with this organization? How is this organization aiding the globalization of the world's securities markets?

ANSWER:

The IOSCO was established 15 years ago as the Inter-American Association of Securities Commissions and Similar Organizations. To facilitate discussion among a broader base of securities regulators, its membership expanded to include regulators from all over the world. Today, its membership consists of regulators from 63 countries.

The SEC has been an active participant in the IOSCO since its inception and is a member of its Executive Committee. It also is a member of the IOSCO Technical Committee, which consists of regulators from the largest organized securities market countries and studies issues of mutual interest and concern. The SEC participates as a member of Working Parties relating to:

(a) facilitation of multilateral offerings;

(b) identification of accounting and auditing standards that would be used in multinational offerings;

(c) discussion of capital adequacy requirements;

(d) discussion of implications of international settlement requirements;

(e) exchange of information concerning enforcement of securities laws; and

(f) formulation of rules of conduct for investment professionals.

The IOSCO has undertaken initiatives to address these and other regulatory issues and problems resulting from the globalization of the securities markets. Those initiatives have helped to foster an increased understanding of and commitment to the need for cooperation among the world's securities regulators.

SEC REVENUE

QUESTION:

Even though the SEC takes in 150 percent of its budget we are constrained by the overall deficit situation. Last year there was a provision in the House version of the reconciliation bill that provided for the SEC's fees to increase by the amount that the appropriation increased. This would have provided the necessary offset, but the provision was eliminated in the final bill. We put the fee increase in the appropriations bill so that we had that offset in 1990.

-- The Administration is proposing $80,179,000 in new fees. How does that match up with increases proposed in the reconciliation bill?

-- What do we have for an offset for the increase in 1991?

ANSWER:

The Administration's FY 1991 fee proposals for the SEC mirror those considered last year in the House Energy and Commerce Committee but with: (1) OMB projections of expected revenue; and (2) a requirement that the increased fees be treated as general revenue rather than as offsetting receipts to the SEC's appropriation. The increased fee proposals include:

A. REGISTRATION FEES--Continuation of the fee rate increase from 1/50 to 1/40 of one percent for the registration of new public offerings under Section 6(b) of the Securities Act of 1933. The increased fee rate was enacted for one fiscal year through language in the SEC's 1990 appropriations bill.

B. TENDER OFFER AND MERGER FILING FEES--A fee rate increase from 1/50 to 1/40 of one percent for filings of mergers and other corporate combinations under Sections 13(e) and 14(g) of the Securities Exchange Act of 1934.

C. TRANSACTION FEES--A fee rate increase from 1/300 to 1/220 of one percent on the value of securities transacted over U.S. securities exchanges and of exchange listed securities transacted by brokers and dealers, both under Section 31 of the Securities Exchange Act of 1934.

D. EXPANSION OF TRANSACTION FEE COVERAGE--An extension of the Section 31 transaction fee to include trades in the over-the-counter market of all national market system securities.

INCREASED SEC FEE REVENUE
EXPECTED FROM OMB PROPOSALS

$(millions)

A. Registration fee increase	$ 28.0
B. Merger/merger fee increase	10.0
C. Transaction fee increase	27.2
D. Extension of transaction fees to OTC trades	14.9
	$ 80.2

Should the SEC be appropriated its full FY 1991 appropriation request of $192 million, the $24 million increase over the FY 1990 appropriation could be covered by an increase in the transaction fee rate from 1/300 to 1/220 of one percent. This fee is imposed under Section 31 of the Securities Exchange Act of 1934 on the value of securities transacted over U.S. securities exchanges and of exchange listed securities transacted by brokers and dealers. The Administration's FY 1991 fee estimate for this rate increase is $27.2 million.

QUESTION:

In 1989 the SEC's fees produced 50 percent more revenues to the general fund than the Commission's appropriation. As indicated previously, in 1990 we increased the 6(b) fee, yet the fee revenue in 1990 is only 40 percent of the appropriation. A contributing factor is the income from "other filings and reports" which is estimated at $6,000,000 less in 1990 than the actual amount received for 1989. What accounts for a 14 percent decrease in that category of fees?

ANSWER:

The $6.6 million reduction in other filings and reports is needed to correct the straight-line projection of fee revenue in FY 1990 and 1991 from an anomaly of three unusually large tender offer filings received in October 1988 of FY 1989 for:

RJR NABISCO	with a fee of	$3,543,518
KRAFT INC.	with a fee of	2,282,941
PILLSBURY CO.	with a fee of	1,046,894
		$6,873,353

With the exception of these three filings, the average fee received for tender offer filings in October 1988 was $25,000.

FULL DISCLOSURE

QUESTION:

What actions are being taken by the Commission to ensure that financial institutions such as banks and savings and loans are adequately disclosing their financial conditions?

ANSWER:

The Commission has increased its review presence in the area of bank and saving and loan holding companies by establishing a special task force. The task force is under the direction of the Chief Accountant of the Division of Corporation Finance and is comprised of 10 to 12 staff accountants. The task force will review the financial statements and related disclosures of several hundred institutions by the end of the year. In addition, the division has two branches consisting of 31 review personnel who, as a major part of their responsibilities, review the filings made by bank and saving and loan holding companies.

QUESTION:

What is the Commission doing to encourage transnational capital formation, to develop a multijurisdictional disclosure system, and to assure that U.S. shareholders are not excluded from foreign takeovers or exchange offers?

ANSWER:

The Commission's goal is to encourage foreign issuers to enter the U.S. public market and avail themselves of the full breadth and liquidity of that market, thereby increasing investment opportunities for U.S. investors. The Commission has accommodated foreign private issuers by:

- developing a separate registration and reporting system for such issuers;
- making some adaptations in disclosure requirements such as for management remuneration and transactions with management;
- permitting segment reporting in annual reports and in non-convertible investment grade debt offerings by issuers that have been subject to the Commission's reporting requirements for 36 months; and
- adopting an integrated disclosure system for foreign issuers enabling them to use periodic reports previously filed in the United States in connection with public offerings made here.

The Commission's approach has been to work with foreign issuers to facilitate their adjustment to U.S. disclosure requirements, through pre-filing conferences and other means, and to accommodate foreign time schedules.

As noted in its November 1988 Policy Statement, the Commission believes that its goal should be to minimize regulatory impediments without compromising investor protection. The Commission also believes that it must seek to accommodate foreign law and practice, but avoid compromises that would give foreign issuers an undue advantage over domestic issuers in the U.S. markets. Consistent with these views, the Commission has responded to the foregoing concerns with three major initiatives--the multijurisdictional disclosure system, Regulation S, and Rule 144A.

The Commission desires achieving international agreement on internationally acceptable principles and standards in disclosure requirements, accounting principles, and auditing standards. In July 1989, the Commission proposed a multijurisdictional disclosure system with Canada. The system would permit Canadian and U.S. issuers meeting specified tests to use the offering and continuous disclosure documents that they file with their home country regulatory authorities to meet the disclosure requirements of the other country. Additionally, the system would let a Canadian issuer making a tender offer for a Canadian company's securities, less than 20 percent of which are held in the United States, comply with the Canadian rules regarding the conduct of a tender offer, rather than the Williams Act, for offers in the United States.

Regulation S was initially proposed by the Commission on June 10, 1988 and later reproposed on July 11, 1989. Regulation S is intended to clarify the extraterritorial application of the registration requirements of the Securities Act.

Rule 144A was proposed by the Commission on October 25, 1988, to provide a non-exclusive safe harbor exemption from the registration requirements of the Securities Act of 1933 for specified resales of restricted securities to institutional investors. The Commission reproposed a revised Rule 144A on July 11, 1989.

A. Multijurisdictional Disclosure

Differences in disclosure requirements, accounting principles, and auditing standards are impediments to multijurisdictional offerings. The Commission's staff is participating in multinational efforts to achieve international agreements on internationally acceptable principles and standards in these areas. Additionally, staff from the Commission's Division of Corporation Finance actively participates in the work of the International Organization of Securities Commissions' Working Party No. 1, formed by the Technical Committee of that organization to study the methods of offering securities on a multinational basis and problems associated with multiple listings. The Working Party is charged with identifying regulatory problems encountered in such offerings and, to the extent consistent with the protection of investors, promoting regulation that would facilitate the cost-effective and efficient raising of capital in all capital markets where investor demand exists. In September 1989, the Working Party published a report entitled "International Equity Offers" that includes a comparative study of securities regulation in various countries and procedures for conducting public and private offerings in those countries and across national borders. The Report notes the characteristics of international equity offers, identifies related regulatory problems, and sets forth recommendations regarding how to address such problems. The Working Party's current agenda includes a project to analyze and compare member countries' continuous disclosure obligations with a view to assessing the potential for such information to be accepted by regulatory authorities as a reference document for a prospectus, when listed or reporting issuers propose to issue and market new securities on a multinational basis.

With respect to multinational tender offers generally, the Commission intends to address the special problems of the exclusion of U.S. shareholders from these offers on several fronts: first, by aggressively asserting jurisdiction where a basis exists under principles of U.S. and international law; second, by administering its tender offer requirements in a flexible manner to take into account differing legal requirements and tender offer practices, to allow offers to proceed simultaneously in this and other countries on an equal basis to all shareholders; and finally, as a longer term and broader based solution, through implementation of a multijurisdictional disclosure system to allow predominantly foreign cash and exchange offers to proceed in this country pursuant to the home country's disclosure and procedural requirements, where adequate to protect the interests of U.S. shareholders.

B. Rule 144A

Foreign issuers that are unwilling to access the U.S. market through registered offerings may find U.S. private placements an increasingly attractive means of directly accessing the U.S. market, as increased liquidity resulting from the rule lowers issuer's financing costs. Increased direct participation by foreign issuers in the U.S. markets should also reduce costs borne by U.S. institutional investors who presently may be compelled to go offshore and purchase foreign securities in the secondary market.

C. Regulation S

Regulation S As proposed, the Regulation would consist of a general statement of applicability of the registration requirements (the "General Statement") and two safe harbors. The General Statement would provide that Section 5 of the Securities Act does not apply to offers or sales that occur outside the United States. In order for a transaction to fall into the General Statement, both the offer and sale would have to take place outside the United States.

One of the two safe harbors (the "issuer safe harbor") applies to offers and sales of issuers, securities professionals involved in the distribution, the affiliates of either, and persons acting on behalf of any of the foregoing. The other safe harbor (the "resale safe harbor") would apply to all other persons. An offer or sale of securities that satisfies all of the conditions of the applicable safe harbor would be deemed to be made outside the U.S. and thus would not require registration of the securities.

SEC STAFF

QUESTION:

Over the last three years the Division of Corporation Finance hired 48 accountants while 34 left the Division. The Senate version of the Commission's authorization bill (S. 1712) provided authority for the SEC to fix the compensation of the staff comparable to the salaries and benefits with federal bank regulatory agencies.

1. How much would such a provision change the salary of SEC's accountants?

2. Does the Commission still have difficulty in retaining attorneys?

3. The FBI has a New York City demonstration project that allowed increased pay for agents and certain other professional personnel. Due to "morale" problems, we have to extend that to all the personnel in the New York office. Would the SEC envision using this provision to increase the pay of all members of the staff because of "morale" problems?

4. In using their salary-setting authority, how do the banking agencies take into account regional differences in salaries?

5. If the SEC obtains this authority, what is the Commission's estimate of the implementation cost?

ANSWER:

The average salary paid to SEC accountants is $53,547, excluding personnel benefits. If they received pay comparability with the other federal financial regulatory agencies, we believe that their average salary would increase by at least 10.8% or $5,783 per year.

In addition to accountants, the Commission has a great deal of difficulty retaining attorneys. In 1989, the Commission faced attorney turnover rates of 13 percent agency-wide, and approximately 12 percent in Washington, D.C. These figures are significantly in excess of government-wide averages, and they have been so for several years. The principal reason for the high turnover is the lucrative salaries offered to securities lawyers by the private sector. Many attorneys are employed by the

Commission for an average of three years, after which they are recruited to private firms for three to four times their government salary.

A rapidly growing new problem is the discrepancy between SEC compensation and the salaries of other federal financial regulatory agencies. The Commission's sister agencies--the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the Office of the Comptroller of the Currency (OCC)--are all exempt from OPM pay caps, and they are able to offer their employees significantly higher salaries and better benefits than the Commission. A comparison of the base pay between the SEC and these agencies indicates that, on average, SEC base pay is 10.8 percent lower than the other financial agencies. In addition, the total compensation difference with these agencies is approximately 20 percent when the regional pay differentials utilized by the OCC and the FDIC are included.

This disparity is much greater for more senior lawyers. At the level of General Counsel, we understand that the salary, not including benefits, is as high as approximately $135,000 at one or more of the banking agencies. By contrast, the General Counsel of the Commission currently earns $83,600.

Considering the "morale" problems experienced in the OPM/FBI demonstration project in New York, the SEC will attempt to take all factors, including staff "morale", into account when discussing, designing, and implementing a new compensation plan. The potential for "morale" problems will depend largely upon the type of pay cap relief and compensation setting authority granted the agency.

If the SEC is removed from OPM pay caps, it will endeavor to institute a balanced and comprehensive compensation system that will address the needs of the agency. The needs and "morale" of all employees must be considered; and in some regional locations hiring and retention problems extend beyond the professional staff ranks. Thus, any SEC compensation system would address not only the needs of professional staff, but also the increased pay needs of support staff, specifically in locations and regions where the agency is experiencing difficulties hiring and retaining support staff.

There are three primary banking agencies which can be compared to the Commission, the FDIC, the Federal Reserve Board (Fed), the OTS and the OCC.

The FDIC sets its own pay, benefits, and compensation exempt from OPM restrictions. The FDIC actively uses regional pay differentials to supplement the basic GS pay scale. Based upon living standards in a given region, the FDIC will add a percentage adjustment in salary as pay differential. For example, the FDIC provides employees in Washington, D.C. a pay differential of 9.5 percent.

The Fed is an independent entity and has the authority to set its own compensation levels exclusive of any restrictions. In the past, the Fed used the OPM classification system in a flexible manner providing employees additional steps above the tenth level for some grades. However, the Fed has recently gone to a market based compensation system. Thus, staff in different regions will be compensated based on market factors common to their location.

The OTS sets its own pay, benefits, and compensation exempt from OPM restrictions. The OTS has pay comparability for all its employees, including the district offices. In October, 1989, the OTS provided all non-executive employees with a 12% increase in salary and in January, 1990, it provided a 6% pay increase to employees rated "fully successful."

The OCC also has authority to set its own compensation levels exclusive of OPM restrictions. The OCC uses both regional pay differentials and a merit pay plan to supplement the GS pay schedule of its employees. Based upon the living costs of a given region, the OCC allows employees a set percentage increase in their salaries as a regional pay differential. The OCC's merit pay plan allows employees to advance in salary range more frequently and in larger increments than allowed by OPM.

It would cost approximately $30 million to make SEC pay comparable to the compensation offered by the other federal financial regulatory agencies. This $30 million estimate is based on the cost required to support the SEC's FY 1991 request of 2,375 staff years at the compensation levels in effect at the Federal Deposit Insurance Corporation in FY 1989. Without pay comparability, the SEC's FY 1991 compensation and benefit cost is $131.6 million; with pay comparability the cost would be approximately $161.6 million. In considering this cost, it is worth noting that the SEC achieved revenues in excess of its appropriations of $71.1 million in FY 89, and estimated $67.9 million in FY 90.

The $30 million estimate covers personnel benefit costs (retirement, federal taxes, health) at current SEC rates. The added cost of making SEC benefits comparable to those offered by the other federal financial regulatory agencies would be highly dependent on SEC actuarial statistics and contractual agreements for which reasonable estimates are not presently available.

SEC SPACE

QUESTION:

I recall that 400 North Capitol Street was erected next to SEC former headquarters to take care of the Commission's expanding staff. However, GSA intervened and we had the battle over Buzzard's Point before the SEC moved to 450 Fifth Street, N.W.

According to the Banking Committee's report on S. 1712, the SEC is experiencing severe overcrowding as a result of GSA space limitations. S. 1712 would allow that the Commission is to lease and manage its own space.

1. Congress has mandated that GSA get office space down to an average of 135 square feet per employee. What is the average square feet of space per SEC employee?

2. The Commission staff estimates that giving SEC this authority would save $800,000 per year. How is it that SEC can do a better job than GSA?

ANSWER:

The SEC average office space per employee is 145 square feet.

GSA adds a mark-up to the square footage cost it charges the SEC. Presently, GSA pays $24.12 per square foot for SEC office space; however, GSA charges the SEC $26.65 per square foot. If the SEC were given authority to lease and manage its own space, there would be a minimum savings of $800,000 per year.

ANNUAL REPORT

QUESTION:

On November 2, 1989, the Executive Assistant to the Chairman transmitted to us copies of the SEC's annual report for FY 1988. That is over 13 months after the fiscal year ended.

1. Does the SEC allow Administration corporations to publish their annual reports 13 months after the close of the reporting period? If not, why doesn't the SEC report to its shareholders, the American people through Congress, on the same schedule Administration corporations are expected to report to their shareholders?

2. What is the schedule for publishing SEC's annual report for FY 1989?

ANSWER:

The 1988 report was in production and scheduled for release on March 30, 1989, when competing priorities, such as follow-up activities related to the October 1987 market break and major enforcement cases, caused a complete halt to the process. Since the same staff was involved in all of these activities, the report was delayed unavoidably. The SEC's prior reports have been published on time and this delay was an anomaly.

This year the Office of the Executive Director has been delegated responsibility for preparing and publishing the SEC's Annual Report to Congress for FY 1989. On January 2, 1990, a memorandum outlining the production schedule and anticipated delivery date was distributed to division directors and office heads. The target date for publishing the report is April 30, 1990.

SUBCOMMITTEE RECESS

Senator HOLLINGS. This concludes our hearing today. The subcommittee will recess until 10 a.m. on March 8 when we will hear from the Secretary of Commerce. Thank you a lot, Mr. Breeden. We appreciate what you are doing.

Senator RUDMAN. Thanks very much. Good to see you.

[Whereupon, at 10:35 a.m., Tuesday, March 6, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, March 8.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1991

THURSDAY, MARCH 8, 1990

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:05 a.m., in room S-146, the Capitol, Hon. Ernest F. Hollings (chairman) presiding.

Present: Senators Hollings, Bumpers, Lautenberg, Rudman, Stevens, Kasten, and Gramm.

DEPARTMENT OF COMMERCE

SECRETARY OF COMMERCE

STATEMENT OF HON. ROBERT A. MOSBACHER, SECRETARY

ACCOMPANIED BY:

- **WAYNE BERMAN, COUNSELOR TO THE SECRETARY**
- **MARK E. BROWN, DIRECTOR, OFFICE OF BUDGET**
- **WILLIAM D. FRITTS, JR., ASSISTANT SECRETARY FOR INTERGOVERNMENTAL AND CONGRESSIONAL AFFAIRS**
- **THOMAS J. COLLAMORE, ASSISTANT SECRETARY FOR ADMINISTRATION**

OPENING REMARKS

Senator HOLLINGS. This morning, the subcommittee will begin our review of the 1991 budget estimates of the Department of Commerce. The total amount requested is $2,515,696,000, a reduction of nearly $1 billion due to the nonrecurring appropriation for the 1990 Decennial Census.

It is certainly a more kinder and gentler budget—[laughter]—than the Department has submitted in recent years. The inclusion of funding for sea grant, coastal zone, and other items have been eliminated since 1981 are due to our witness here this morning.

We still don't have funds for the Economic Development Administration, trade adjustment assistance and public telecommunications facilities, but I would expect, Mr. Secretary, that the Congress will be including those, as we have in the past years.

On Monday of this week, we had our distinguished Secretary visit the Southeast Manufacturing Technology Center down at the University of South Carolina. I think we were both impressed with what we are doing with that small effort. It is an outreach program that works right directly with small business and giving in real terms magnificent assistance for small business to compete in this technological world in which we live. I thought the witnesses were very, very impressive.

PREPARED STATEMENT

It is indeed a pleasure to have the Secretary of Commerce, the Honorable Robert A. Mosbacher, as our witness this morning. Mr. Secretary, before I yield to my colleague, let me first include your statement in the record in its entirety, and you can give it in full or summarize it as you wish.

[The statement follows:]

STATEMENT OF ROBERT A. MOSBACHER

Mr. Chairman and members of the Subcommittee, today I present to you the Department of Commerce's budget request for fiscal year 1991 -- a total of $2.5 billion. The request for 1991 is $1 billion less than the Department's 1990 request because the peak activities for the 1990 decennial census will be over by then.

During my first year at Commerce, the Department has scrutinized its goals very closely. In particular, we have taken heed of America's situation in the last decade of the twentieth century and tried to look ahead to her place in the twenty-first century.

The pre-eminent aspect of the current situation, for Commerce and its programs, is that America's trade position and technological supremacy are under challenge. Our competitors are aggressively pursuing their own interests in the global marketplace. To compete successfully, the United States must offer the best products and services at the lowest costs. America's businesses must do "the right thing right the first time."

President Bush said it well in the State of the Union address. He said:

"In the tough competitive markets around the world, America faces great challenges and great opportunities. And we know that we can succeed in the global economic arena of the '90s, but to meet that challenge we must make some fundamental changes -- some crucial investment in ourselves."

We know what is required. The nation must provide higher quality products and services. We must make the most of human resources

THROUGH GREATER EDUCATIONAL OPPORTUNITIES. LEGAL BARRIERS THAT IMPEDE OUR INDUSTRIES' COMPETITIVENESS MUST COME DOWN. WE MUST ENCOURAGE COMPANIES TO TAKE THE LONG VIEW BY DECREASING THE COST OF CAPITAL. NEW TECHNOLOGIES MUST REACH THE MARKETPLACE SOONER. MORE OF THE GOVERNMENT'S $70 BILLION ANNUAL INVESTMENT IN RESEARCH AND DEVELOPMENT MUST YIELD COMMERCIAL PRODUCTS. ENVIRONMENTAL GOALS AND COMPETITIVE GOALS NEED TO GO HAND IN HAND. WE MUST PROMOTE FREE TRADE AND ENCOURAGE MARKET-BASED ECONOMIES AROUND THE WORLD.

AT COMMERCE, WE HAVE BUILT OUR 1991 REQUEST AROUND THIS ASSESSMENT OF AMERICA'S PRESENT AND OUR STRATEGY FOR HER FUTURE.

TRADE

FIGHTING UNFAIR FOREIGN TRADE BARRIERS IS A TOP PRIORITY WITHIN COMMERCE'S PROGRAM. ADDITIONAL STAFF WILL ALLOW THE INTERNATIONAL TRADE ADMINISTRATION TO PROCESS COMPLEX UNFAIR TRADE CASES, ENFORCE STEEL AGREEMENTS, SUPPORT EFFORTS TO NEGOTIATE FAIR STEEL TRADING PRACTICES, AND INCREASE U.S. PARTICIPATION IN THE ECONOMIES OF EASTERN EUROPE AND THE SOVIET UNION. THE INTERNATIONAL TRADE ADMINISTRATION HAS ALREADY SET UP AN EASTERN EUROPE BUSINESS INFORMATION CENTER AS THE GOVERNMENT'S CLEARINGHOUSE FOR TRADE AND INVESTMENT INFORMATION. THE UNITED STATES AND FOREIGN COMMERCIAL SERVICE WILL ALSO INCREASE ITS PRESENCE IN EASTERN EUROPE. WE WILL BEEF UP OUR TRADE PROMOTION EFFORTS.

EXPANDING OVERSEAS MARKETS FOR AMERICAN GOODS AND SERVICES IS ANOTHER HIGH PRIORITY. I BELIEVE THAT AN ADEQUATELY STAFFED SALES FORCE IS THE BEST WAY TO PROMOTE U.S. EXPORTS. ADDITIONAL

RESOURCES FOR THE INTERNATIONAL TRADE ADMINISTRATION WILL BOLSTER AMERICAN EFFORTS TO TAKE ADVANTAGE OF THE SINGLE EUROPEAN MARKET, TO SEIZE THE OPPORTUNITIES OFFERED BY THE U.S.-CANADA FREE TRADE AGREEMENT, AND TO COMPETE SUCCESSFULLY AROUND THE PACIFIC RIM. FOR THE FIRST TIME IN MANY YEARS, THE 1991 REQUEST INCLUDES APPROPRIATED FUNDING FOR THE UNITED STATES TRAVEL AND TOURISM ADMINISTRATION TO WORK WITH INDUSTRY TO PROMOTE TRAVEL TO THE UNITED STATES.

COMPETITIVENESS

DURING THE COMING YEAR, THE DEPARTMENT WILL ASSESS THE PROPER DEPLOYMENT OF THE FOREIGN AND DOMESTIC STAFF OF THE UNITED STATES FOREIGN AND COMMERCIAL SERVICE. THE 1991 BUDGET PROVIDES THE RESOURCES FOR MORE BALANCED DEPLOYMENT OF THE DOMESTIC STAFF AND INCLUDES A SUBSTANTIAL INCREASE FOR EXPANSION OF THE FOREIGN COMMERCIAL SERVICE STAFF IN JAPAN, THE PACIFIC RIM, AND EASTERN EUROPE. WE INTEND TO PUT THE MONEY WHERE THE RETURN IS THE GREATEST.

ADDITIONAL RESOURCES FOR THE BUREAU OF EXPORT ADMINISTRATION WILL SUPPORT AN EXPORT CONTROL PROGRAM THAT SAFEGUARDS NATIONAL SECURITY WITHOUT NEEDLESSLY RESTRICTING EXPORTS. THE 1991 REQUEST INCLUDES FUNDS FOR EXPORTER ASSISTANCE STAFF IN NEW ENGLAND, PORTLAND, AND NORTHERN CALIFORNIA. THE BUREAU WILL ALSO BE ABLE TO REVIEW THE LIST OF CONTROLLED COMMODITIES MORE FREQUENTLY AND HELP EXPORTERS DETERMINE CORRECT COMMODITY CLASSIFICATIONS.

American industry cannot compete in the global market without high quality products. For the National Institute of Standards and Technology, the President has highlighted research in robotics, superconductivity, semiconductors, chemical processes and other areas. Besides adding substantial resources in core research programs, the Department's request continues programs to foster the formation of consortia to do generic, pre-competitive research into promising technologies and to establish regional centers to transfer advanced manufacturing technologies to medium and small-sized businesses. I visited the regional center in South Carolina, and I am optimistic about the prospects for the manufacturing technology centers program.

Prompt examination and registration of patent and trademark applications and dissemination of information are other ways Commerce can support America's businesses in global competition. During 1989, the Department achieved its long-standing goal of processing patent applications within an average of 18 months. We had already achieved our goal in the trademark area. We are not complacent, however. The increasing number of patent applications dictates that we increase the staff of the Patent and Trademark Office to maintain 18 month pendency. We are also continuing efforts to install the Automated Patent System, which will ultimately reduce our dependence on paper files and contribute to higher quality patent examinations.

ECONOMIC STATISTICS

Knowing where we stand among the world's economies and understanding how our economy is functioning are critical to successful competition. The 1991 request includes additional

FUNDS TO CARRY OUT THE PRESIDENT'S COMMITMENT TO IMPROVE OUR ECONOMIC STATISTICS. THIS WILL INCLUDE MAINTAINING THE QUALITY OF THE GROSS NATIONAL PRODUCT AND BALANCE OF PAYMENTS ACCOUNTS AND IMPROVING INTERNATIONAL INVESTMENT DATA. NEW FUNDS WILL ALSO GO TOWARDS COLLECTING BETTER DATA ON SERVICE INDUSTRIES, ON UNEMPLOYMENT, AND ON THE EFFECTS OF FEDERAL PROGRAMS ON HOUSEHOLDS AND INDIVIDUALS.

DECENNIAL CENSUS

FOR DEMOGRAPHIC DATA, THE DECENNIAL CENSUS IS THE NATION'S CHIEF SOURCE. AS YOU KNOW, THE ACTIVITIES OF THE 1990 DECENNIAL CENSUS ARE APPROACHING THEIR PEAK. A MAJOR CONCERN IS THAT THE RECENT CONGRESSIONAL CUTS OF $57.6 MILLION FROM THE PRESIDENT'S BUDGET ON TOP OF PREVIOUS CUTS AND COST ABSORPTIONS MIGHT COMPROMISE OUR ABILITY TO CONDUCT A FULL AND FAIR CENSUS. IN PARTICULAR, WE CONTEMPLATED MAKING THE VACANT/DELETE CHECK CONTINGENT UPON THE MAIL RESPONSE RATE. WE HAVE RESOLVED DEFINITELY, HOWEVER, TO PROCEED WITH THE VACANT/DELETE CHECK AS ORIGINALLY PLANNED. IF THE MAIL RETURN SUBSTANTIALLY EXCEEDS WHAT WE HAVE USED AS OUR PLANNING BASE, IT WILL BE POSSIBLE TO PROCEED WITHIN THE CURRENTLY APPROPRIATED AMOUNT. OTHERWISE, WE INTEND TO PROPOSE A DIRE EMERGENCY SUPPLEMENTAL APPROPRIATION WITH OFFSETTING EXPENDITURE REDUCTIONS, IN LATE APRIL, WHEN WE WILL KNOW THE ACTUAL MAIL RETURN RATE AND THE AMOUNT OF MONEY NEEDED TO COMPLETE THE CENSUS. WE WILL CAREFULLY MONITOR THE MAIL RETURN RATE AND KEEP THE COMMITTEE APPRISED. OF COURSE, OTHER TOTALLY UNANTICIPATED SETBACKS, SUCH AS A NATURAL CALAMITY, MAY NECESSITATE A SUPPLEMENTAL. I UNDERSTAND THAT SUPPLEMENTAL APPROPRIATIONS HAVE BEEN USED DURING THE DECENNIAL CENSUS YEAR AS REQUIRED BY EVENTS.

GLOBAL ECONOMICS -- GLOBAL ENVIRONMENT

WITH EACH PASSING YEAR IT BECOMES MORE APPARENT THAT ALL HUMAN ACTIVITY, INCLUDING OUR ECONOMIC EFFORTS, MUST TAKE INTO ACCOUNT THE NATURAL ENVIRONMENT. COMMERCE'S PROGRAMS DEAL WITH ECONOMIC AND TRADE CONCERNS, AND WITH THEIR ENVIRONMENTAL EFFECTS. THE DEPARTMENT IS A MAJOR PARTICIPANT IN A GOVERNMENTWIDE INVESTIGATION OF GLOBAL CLIMATE CHANGE, FOR WHICH THE PRESIDENT IS PROPOSING MORE THAN $1 BILLION IN 1991. WE ARE ASKING FOR ADDITIONAL RESOURCES SO THAT THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION CAN CARRY OUT ITS VITAL ROLE IN MONITORING AND CONDUCTING RESEARCH ON CLIMATE CHANGE. THE RESEARCH RESULTS WILL FORM THE BASIS FOR ECONOMIC AND ENVIRONMENTAL POLICY ON NATIONAL AND INTERNATIONAL LEVELS.

THE 1991 REQUEST ALSO INCLUDES INCREASED SUPPORT FOR RESEARCH AND INVESTIGATION OF THE COASTAL OCEANS. WE ARE ALSO ASKING FOR FUNDING FOR THE COASTAL ZONE MANAGEMENT PROGRAM AND THE NATIONAL SEA GRANT COLLEGE PROGRAM. THESE REQUESTS REFLECT IN PARTICULAR THE CONCERN THE PRESIDENT EXPRESSED DURING THE CAMPAIGN ABOUT THE COASTAL WATERS. IN TOTAL, I AM REQUESTING 35 PERCENT MORE FOR THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION THAN THE LAST REAGAN BUDGET AND 10 PERCENT MORE THAN CONGRESS APPROPRIATED IN 1990.

DURING 1991, WE WILL MOVE AHEAD TO MODERNIZE THE NATIONAL WEATHER SERVICE SO THAT IT CAN SERVE THE NATION INTO THE NEXT CENTURY. WE WILL DEPLOY THE NEXT GENERATION RADARS AND REPLACE OUR WEATHER SATELLITES. WE WILL CONTINUE WORK ON SYSTEMS TO AUTOMATE COLLECTION AND PROCESSING WEATHER DATA. I CAN ASSURE YOU THAT WE WILL CLOSE EXISTING PUBLIC WARNING AND FORECAST STATIONS AS PART

OF THE MODERNIZATION EFFORT ONLY IN ACCORDANCE WITH PUBLIC LAW 100-685. I WILL CERTIFY BEFOREHAND THAT CLOSING STATIONS WILL NOT DEGRADE THE CURRENT LEVEL OF SERVICE.

MINORITY BUSINESS DEVELOPMENT AGENCY REINVIGORATION

COMPETING SUCCESSFULLY IN THE GLOBAL MARKETPLACE REQUIRES TAPPING THE SKILLS AND CREATIVITY OF ALL CITIZENS. ANOTHER OF MY TOP PRIORITIES IS TO REINVIGORATE THE FEDERAL GOVERNMENT'S ASSISTANCE TO MINORITY BUSINESSES. THE DEPARTMENT IS REQUESTING A 15 PERCENT INCREASE TO UPGRADE AND STRENGTHEN THE MINORITY BUSINESS DEVELOPMENT AGENCY'S BUSINESS DEVELOPMENT ACTIVITIES, STRENGTHEN THE AGENCY'S PARTNERSHIPS WITH STATE AND LOCAL GOVERNMENT, AND IMPROVE AGENCY MANAGEMENT.

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THE COMMERCE BUDGET IS PART OF PRESIDENT BUSH'S PLAN TO REDUCE THE DEFICIT WITHOUT RAISING TAXES, CHANGING SOCIAL SECURITY, WEAKENING DEFENSE, OR REDUCING BENEFITS TO THE NEEDY. I AM PROUD TO SAY THAT, EVEN WITH THE NEED TO RESTRAIN SPENDING, THE DEPARTMENT IS ABLE TO PROPOSE IMPORTANT INITIATIVES IN AREAS VITAL TO THE NATION'S SECURITY AND WELL-BEING.

THE DEPARTMENT BELIEVES THAT PROVIDING ADEQUATE FUNDING TO CRITICAL PROGRAMS REQUIRES REDUCING OR ELIMINATING PROGRAMS WHOSE MISSIONS HAVE BEEN ACHIEVED, ACTIVITIES THAT THE PRIVATE SECTOR OR STATE AND LOCAL GOVERNMENTS CAN CARRY OUT, AND PROGRAMS THAT HAVE PROVEN INEFFECTIVE OR ARE OF LOW PRIORITY GIVEN FISCAL CONSTRAINTS. THE DEPARTMENT ALSO BELIEVES THAT REDUCING SPECIFIC

PROGRAMS IS PREFERABLE TO CONTINUING ACROSS-THE-BOARD REDUCTIONS, CUTTING HIGH-PRIORITY PROGRAMS ALONG WITH THE REST.

TO COMPETE AROUND THE GLOBE, THE UNITED STATES, AND THE FEDERAL GOVERNMENT IN PARTICULAR, MUST ALLOCATE ITS RESOURCES CAREFULLY. WE MUST FUND THE PROGRAMS THAT CAN MAKE A DIFFERENCE AND DISCARD THOSE THAT HAVE SERVED THEIR PURPOSE. WE MUST LEARN TO LIVE WITHIN OUR MEANS. THIS BUDGET DEMONSTRATES COMMERCE'S COMMITMENT TO THOSE OBJECTIVES. I KNOW THAT YOU CARE AS DEEPLY AS I DO THAT THE NATION FARE WELL IN THE GLOBAL MARKETPLACE. I KNOW FROM MANY DISCUSSIONS OVER THE PAST YEAR THAT THIS BUDGET REFLECTS MANY OF YOUR CONCERNS, EVEN IF THE AMOUNTS FOR INDIVIDUAL PROGRAMS ARE NOT WHAT YOU MIGHT WANT. I LOOK FORWARD TO WORKING WITH YOU TO ENSURE THAT COMMERCE'S PROGRAMS RECEIVE THE FUNDING THAT THEY DESERVE.

REMARKS BY SENATOR RUDMAN

Senator HOLLINGS. Let me yield to Senator Rudman.

Senator RUDMAN. Thank you, Mr. Chairman. I also welcome the Secretary. We are delighted to have you here. I have to say that in the 10 years that I have been listening to Commerce Department budgets, I have to say, very frankly, this is the most responsible of the budgets we have had presented to us. It is a first-rate budget. In almost a decade, this is the first time that we have seen funds for things that there has been strong congressional support for. At least there is a recognition that we ought to have some concensus here rather than confrontation.

I see there is funding for coastal zone management, sea grant, advanced technology, and the Hollings' center program at the National Institute of Standards and Technology. All of those are first-rate things. I think that it gives us an opportunity to work together to fashion a budget that might not have everything that you would like, might not have everything that we would like, but it certainly shows a willingness in the Department to understand the realities of, essentially, a representative government, in which the Congress does have the power to appropriate.

One other point I want to make is that there was one perfectly brilliant decision in this submission that I have seen.

Senator GRAMM. Are we talking about government here? [Laughter.]

Senator RUDMAN. You just wait a minute. [Laughter.]

I have got something to say to you. [Laughter.]

I had said for a long time, "the New England regional economy." Everybody thinks of Boston, but in fact, it is a regional economy and southern New Hampshire has done an enormous amount in the whole export area. We have very little Federal presence in the State of New Hampshire; I urged that there be a regional export assistance office for New England located in southern New Hampshire.

I didn't realize that Texans could learn about New England that quickly because of my experience with Senator Gramm, but I want to congratulate the Secretary.

Senator **Hollings**. Are there any other opening statements? Otherwise, welcome, Secretary Mosbacher, and we would be delighted to hear from you at this time.

BUDGET REQUEST

Secretary **Mosbacher**. Thank you, Mr. Chairman, and members of the subcommittee. It is a pleasure to be here. As you know, our budget request for fiscal year 1991 is a total of $2.5 billion, Senator Gramm, approximately $1 billion less than in 1990.

Senator **Gramm**. Hallelujah. Now, that is brilliant. [Laughter.]

Secretary **Mosbacher**. During my first year at Commerce, we have tried to take a look at the last decade of this century and what the needs are ahead not only for this coming decade, but even perhaps take a long-term look into the 21st century.

Our trade position and technology supremacy are definitely under challenge. Our competitors are aggressively pursuing their own interests in the global marketplace. To compete, the United States must offer the best products and services at the lowest competitive cost. We have got to make sure, too, that the other markets become more open and move toward the free trade that we all know has to be a two-way street.

We have to provide higher quality products. We must make the most of our human resources through greater educational opportunities. Legal barriers that impede competitiveness must come down. We have to encourage companies to take the long-term view and decrease the cost of capital for these companies, which will help them take that long-term view.

Our new technologies have to reach the marketplace sooner. Environmental goals have to be realized, but they must be hand-in-hand with competitive goals. We have to promote free trade and encourage market-based economies around the world.

At Commerce, we have built our 1991 request around this assessment of our country's present and future strategy. Let me just give you a few examples of this:

Additional staff will allow the International Trade Administration to pursue not only unfair trade practices and increase United States participation in the economies in Eastern Europe and the Soviet Union, but it will also bolster efforts to take advantage of the single European market and to seize the opportunities offered by the United States-Canada Free Trade Agreement and to compete around the Pacific rim. Also, we don't want to forget building trade with Mexico and the rest of Latin America.

The 1991 budget provides the resources for a more balanced deployment of the domestic staff and includes a substantial increase for expansion of the foreign commercial service staff in Japan, the Pacific rim and Eastern Europe. We want to put our money where we get the most bang for the buck.

Besides adding substantial resources in the National Institute of Standards and Technology's core research programs, the Department's request continues support for consortia doing research into promising technologies. It also supports manufacturing technology centers which transfers advanced manufacturing technologies and businesses.

As the chairman mentioned, we visited the new center in Columbia, SC. I am very impressed and optimistic about this program's prospects.

The 1991 request includes additional funds to carry out the President's commitment to improve our economic statistics. A major concern is the Census Bureau's ability to complete the census within the funds now available. If the number of questionnaires returned do not substantially exceed the original planning estimates, we will have to propose a dire emergency supplemental appropriation. We will know about that and the return rate and the money that will be needed sometime in April.

We are asking for additional resources so that the National Oceanic and Atmospheric Administration can monitor and conduct research on global climate change, if any.

We are asking for funding for the coastal zone management program and the national sea grant college program. These reflect the concern the President expressed during the campaign about the coastal waters. In total, we are requesting 35 percent more for the National Oceanic and Atmospheric Administration than the last Reagan budget and 10 percent more than Congress appropriated in 1990.

Another of our top priorities is to reinvigorate the Federal Government's assistance to minority businesses. The Department is requesting a 15-percent increase to upgrade and strengthen the Minority Business Development Agency.

To compete around the globe, the United States and the Federal Government, in particular, must allocate its resources carefully. We must fund the programs that can make a difference and discard those that have really served their purpose. We have to learn to live within our means. This budget demonstrates Commerce's commitment to those objectives.

I know that you care as deeply as I do that the Nation fare well in the global marketplace. I know from many discussions over the past year that this budget reflects many of your concerns, even if the amounts for individual programs are not always what you or we might want.

I look forward to working with you to ensure that Commerce's programs receive the funding that they deserve.

Thank you.

FUNDING OF RESEARCH

Senator **Hollings**. Mr. Secretary, we have just had a meeting of the Office of Technology Assessment. I have never seen so many committees and Senators ask for an OTA study to see how we can bring DARPA and defense research over into commercial and civil research.

One, they have no idea of your program. They don't know that we are already doing it.

Two, they have no idea that when the Pentagon itself looked for the technology for the rapid acquisition of manufactured parts, they didn't find it in defense; they found it already in existence in Commerce.

And three, I go, then, to a meeting of the Defense Appropriations Subcommittee, and I am looking at $71 billion overall in research in the Government in President Bush's budget when you include the National Science Foundation. But you look at the $36.1 billion and $36.7 billion and see that they are requesting defense to go up $38.1, so they are asking for $1.5 billion more in defense in research.

I look at it, and I find $354 million, a 6-percent increase, just in management, $354 million. Then I come around here and strain over $10 million or $15 million or $20 million or, the truth of the matter is, to try to keep last year's level.

Here we find, with the centers working, we are bringing in the Bureau of Standards as the National Institute of Standards and Technology with an Under Secretary now being appointed, and with the centers working and the money for the advanced technology program, that the budget eliminates three positions and $2.5 million from the centers. We just level fund the advanced technology program and eliminate the full $1.3 million from the State extension services.

I know your heart is in the right place. I have worked with you, and you have done extremely well to go and look and see and show whatever we need to improve upon or what is not working. I think we are both impressed with the immediacy of the results in the small business area where, as the witnesses showed, over 80 percent of our technology, as well as 80 percent of our employees are coming from small business.

So we have got the whole thing moving there. Yet, of the $71 billion, you got only 43 percent at the most, and you are cutting it. I know in defense we are going to be eliminating some programs, like the technology for the Osprey and the technology for Stealth and all these other kinds of things. Yet we are putting on $300 and some million just for management. I can't even get, as you indicated, Senator, these centers in the West, or the Midwest. We need to bring them around, let's start them going and let's really move Commerce into commerce.

What is your comment on that, please?

Secretary **Mosbacher**. Senator, I agree with you, obviously. We are moving in that direction, as you know. Budget constraints being what they are, we can't put as much in as we would like to.

Senator HOLLINGS. That is why I pointed out the instance in defense where the budget is not being constrained. In fact, it is going up, up and away.

Secretary MOSBACHER. Yes; it is going up.

Senator HOLLINGS. It is going up in defense, where we are supposed to have a peace dividend.

Secretary MOSBACHER. Let me just say that——

Senator BUMPERS. I got here just in time, I can see that. [Laughter.]

Senator HOLLINGS. Yes.

Secretary MOSBACHER. We are going to have a total increase of $36 million in the National Institute of Standards and Technology. It depends on how you look at it. That is a big increase by one standard. When you talk about huge amounts of money, it doesn't seem so big, but relatively, it is big. It is also, by percentage, big. We are talking about a research increase of 26 percent in core research and a total increase of 22 percent.

So percentagewise, we are moving in the right direction.

Senator HOLLINGS. That is in the internal programs, but I am asking about the outreach where we are going to play catchup ball with your visitations here later.

Secretary MOSBACHER. Right.

Senator HOLLINGS. Our Japanese competition. Rather than bash Japan, you and I would rather compete with Japan, but how do we do that? Here it is in a very, very positive way, you and I both agree, without getting the Government into business, in a way.

Secretary MOSBACHER. I think the Government is helping the free competitive private sector and particularly the small businesses which create most of the jobs and do most of the entrepreneurial kind of original research. We are talking about these new centers; we are adding $7 million. Again, it is a pretty big amount compared to what it has been, but not huge in the Government picture. But it is a good step in the right direction.

DECENNIAL CENSUS

Senator HOLLINGS. I find you very effective in South Carolina and up in Chicago. Could I get Darman to invite you down to be a speaker at OMB? Maybe that is what we need, because that is what we are talking about.

Now, specifically on the census. How are we coming out there? We are hearing of a $57 million squeeze and maybe a supplemental for that.

What is the Secretary's position? Do we have enough money for that census, or are we going to need a supplemental?

Secretary MOSBACHER. It all depends on the percentage we get back from this material that goes out March 23 and April 1. As you know, the mail-back day is sometime during April—what would it be? Maybe 28 or plus or minus 15? We will know whether we up the percentage of returns that came through the regular mail or whether we can squeeze by.

If we can't, we are going to have to come back. We don't know whether we will need $30, $40, $50, or $60 million more. It could be anywhere in there. It could even be higher than that.

Mr. **Berman**. It could be zero.

Secretary **Mosbacher**. Or it could be zero, yes.

Senator **Hollings**. We have got a good attendance. Let me yield. Maybe some of them are going to the White House with us for the transportation meeting with Secretary Skinner.

Senator **Rudman**. What time is that?

Senator **Hollings**. 11:15.

ADVANCED TECHNOLOGY PROGRAM

Senator **Rudman**. I am going to just shorten my questions. I will submit some for the record. I just want to address one issue. I have to believe, Mr. Secretary, you don't necessarily agree at all with a letter that was signed by your general counsel addressed to the chairman, and I would guess that your general counsel doesn't agree with his own letter.

I assume that the genesis for the rather remarkable statement in this letter comes from the bowels of the White House where some bureaucrat, who has not seen light for the last 10 years, has been captured by his own dogma and is a prisoner of it. Let me tell you what I am talking about. [Laughter.]

Secretary **Mosbacher**. I am sorry? [Laughter.]

Senator **Rudman**. Here we have got the advanced technology program. Senator Hollings and his Commerce Committee really worked hard to get that out. We all agree it is necessary. We all know it is to help the American economy, not the Japanese economy, not the Korean economy, not the West German economy, not the Taiwanese economy, but the American economy.

We also generally believe in free and fair trade, and we believe in competition, but we certainly believe we can't complain about all the things the Japanese and Germans do to help their own technology evolution. We don't expect them to help us. I mean, that is just not realistic.

But we have got this dogma downtown somewhere about free and open markets. So in this advanced technology program is a very reasonable provision which controls what foreign companies can do under the advanced technology program, which only makes elemental good sense.

What the statute essentially says, which was passed by the Senate, is that it sets out the conditions under which a foreign company could participate in the advanced technology program, and they are pretty reasonable.

They talk about substantial commitment to the U.S. markets; that the home market gives reciprocal treatment to the United States; that the parent or the affiliates have not been identified within the previous several years as an exporter who might be within the meaning of certain dumping statutes and so forth. Essentially, it says, "Look, this program is for American companies to develop American technology."

GENERAL COUNSEL LETTER ON ATP'S

Now your general counsel writes a letter to Senator Hollings in which he includes a letter to Congressman Roe, and I wanted to read you one provision of it.

Finally, it is important that neither the ATP nor other provisions of this legislation require the identification and discriminatory treatment of foreign companies. Both the House and the Senate bills contain provisions that require the identification of foreign companies and highly discriminatory treatment of such companies.

You are darn right "highly discriminatory treatment." That is exactly the point which somebody is missing someplace.

Such provisions are directly contrary to the established and sound U.S. Government trade and investment policies, and they would seriously undermine our efforts to encourage widespread adoption of sound trade and investment policies by this Nation.

That is absolutely, that is—I can't use profanity. That is the most idiotic thing I have ever heard from this Government about trade since I have been sitting on this committee. Are we being told by the administration that we are going to have a program that is going to foster technology but we are going to allow foreign companies to take part in that in this country?

If that is so, then that is trade turned on its ear, and I hope you will work to overturn that. I am sure you don't agree with that.

Do you think this program should be opened widely to foreign companies or for the development of our own technology, Mr. Secretary?

Secretary MOSBACHER. I think that, as we saw in South Carolina, the purpose of this is to foster the companies to grow up in that area and work in that area, and we have to honor the legal aspects of it——

Senator RUDMAN. We understand.

Secretary MOSBACHER [continuing]. And what that addresses itself to, but our plan is to help the companies that are indigenous.

Senator RUDMAN. Could I have your assurance that you will go back into wherever appropriate in the administration and address this? This is not a free trade issue; this is not a free trade issue. When the Japanese put together all of their best electronics minds to try to develop technology, and some American company comes and says, "We want to participate," they aren't going to say, "Fine, that is lovely, but we are doing this here," or the West Germans or whoever. I just think the administration ought to separate what we all agree ought to be free and open trade from participation of foreign companies in this program.

This is a program this Congress developed for U.S. companies to try to regain our place in the development of technology.

Secretary MOSBACHER. Let me agree. Let me add a caveat to that, that I have to follow the law. You can't break the law.

Senator RUDMAN. I don't think that we break the law under the way we write this statute, I truly don't.

Secretary MOSBACHER. Mark, I guess some of the discussions you are having with OMB will cover these regulations.

Senator RUDMAN. Of course, you are issuing regulations because we don't have an authorization bill, but we do have an appropriation. That could continue for awhile. But if you really want to see a program suddenly get a lot of attention, let's start having stories in the Wall Street Journal of how some Japanese electronics company is participating in this program. The people in the country will think we are crazier than they already think we are, which is pretty crazy, Mr. Secretary.

I saw this letter, and I have to say that I know Secretary Mosbacher; he can't really believe this. This is coming from someplace else. So try to get it fixed for us.

WILLKIE LETTER

Senator HOLLINGS. If the gentleman will yield, here is the letter that I will make part of the record.

[The letters follow:]

LETTERS FROM WENDELL L. WILLKIE II, GENERAL COUNSEL, DEPARTMENT OF COMMERCE

FEBRUARY 5, 1990.

Hon. ERNEST F. HOLLINGS,
Chairman, Committee on Commerce, Science and Transportation, United States Senate, Washington, DC.

DEAR MR. CHAIRMAN: I am today sending the enclosed letter to Chairman Roe of the House Committee on Science, Space and Technology. It provides the views of the Department of Commerce on H.R. 3042, the Department of Commerce Research and Technology Authorization Act for Fiscal Years 1990, 1991, and 1992, as reported by the Science Subcommittee on July 28, 1989. In that letter, we also address key features of S. 1191 as passed by the Senate.

Although the letter opposes certain provisions in S. 1191, I hope you will be pleased that it recognizes the importance of the advanced technology program (ATP) as a means to encourage and assist industry in developing technologies that can help assure the economic security of the United States.

Our Department appreciates the work of your Committee in seeking to improve the functioning of this Department as well as that of the economy and improving the scientific base of the Nation. We look forward to continuing our work with you and your staff in resolving issues raised by S. 1191.

Sincerely,

WENDELL L. WILLKIE II,
General Counsel.

FEBRUARY 5, 1990.

Hon. ROBERT ROE,
Chairman, Committee on Science, Space and Technology, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: This letter provides the views of the Department of Commerce (DOC) on H.R. 3042, the Department of Commerce Research and Technology Authorization Act for Fiscal Years 1990, 1991, and 1992, as reported by the Science Subcommittee on July 28, 1989. We also address key features of the Senate-passed bill, S. 1191, since both bills raise important common issues. Both bills contain authorizations substantially in excess of the President's budget request for fiscal year 1991, which we oppose, and both raise questions concerning the scope and implementation of the advanced technology program.

The Department of Commerce supports the principle inherent in the advanced technology program (ATP), which is to encourage and assist industry in developing technologies that can help assure the economic security of the United States. However, due to very tight budgetary constraints, we oppose authorizing for the ATP the $100 million provided by H.R. 3042 or by S. 1191, which might detract from the important core functions of the National Institute of Standards and Technology (NIST). The President's budget requests $10 million for the ATP for fiscal year 1991. The priority for funding should remain with NIST's core functions which are essential to U.S. industrial health and competitiveness—the basic goal of every aspect of this authorization measure. The importance of these core NIST functions is well described in the report of the Senate Commerce, Science and Transportation Committee on S. 1191:

> Congress created NIST's predecessor agency * * * in 1901 as a scientific and engineering laboratory to provide industry with precise measurements, quality control techniques, and technical data. In effect, the agency provides American industry with many of the fundamental tools necessary to make products in precise, high-quality, and cost-effective ways. It conducts work which benefits

> entire industries but which no one company can afford to undertake. Today, the agency remains the one Federal laboratory with an explicit mission to aid U.S. science and industry. * * * S. Rept. No. 159, 101st Cong., 1st Sess. 2 (1989).

We strongly endorse this description of the unique and essential mission of NIST. Accordingly, we can only support the legislation to the extent that it contributes to, rather than detracts from, this mission.

In addition to budgetary considerations, our support for the ATP is conditioned upon the program's being limited to support of research of generic precompetitive technologies; it must not extend into product commercialization. Also, research efforts should be industry-led. Furthermore, it is critical that Congress not mandate specific amounts for the support of specific technologies, but instead that substantial discretion be left with those implementing the ATP. Although we may be able to identify some technologies that are especially promising—or even essential—to U.S. competitiveness, we simply cannot know in advance which technologies will generate industry initiatives that will merit program support.

The purpose of Federal support for R&D is to increase U.S. well-being, including technological competitiveness. Many factors need to be taken into account in determining which projects, involving which participants, are likely to maximize that benefit to the United States. Among these factors are the quality of the researchers and of the project to be undertaken, the likely technological advances to come from the research, and their potential applicability to the U.S. commercial sector. We recommend that the discretion be left to those implementing the ATP to ensure that U.S. national interests are satisfied.

We strongly oppose the amendment to H.R. 3042 authorizing $10 million for support of R&D in high definition television. We believe that a program of R&D support aimed specifically and solely toward high definition television would be inappropriate.

Finally, it is important that neither the ATP nor other provisions of this legislation require the identification and discriminatory treatment of foreign companies. Both the House and Senate bills contain provisions that require the identification of foreign companies and highly discriminatory treatment of such companies. S. 1191 contains such requirements for administering the advanced technology program (section 5), while H.R. 3042 requires discrimination against foreign firms both in administering the HDTV-related R&D program called for by Congressman Brown's amendment and in protecting the proprietary information of companies involved in cooperative R&D agreements under the Stevenson-Wydler Technology Innovation Act (section 10). Such provisions are directly contrary to established and sound U.S. Government trade and investment policies, and they would seriously undermine our efforts to encourage widespread adoption of sound trade and investment policies by other nations.

Our detailed comments on specific provisions of H.R. 3042 are contained in an enclosure to this letter. We look forward to working with the Congress to resolve our differences. In summary, we strongly oppose the authorization of funds greatly in excess of the President's budget request. Moreover, any legislation which contains provisions requiring the identification of foreign firms and the discriminatory treatment of such firms would not be in accord with the President's program. Finally, our support for the ATP is conditioned upon the program's being limited to support of research of generic precompetitive technologies.

The Office of Management and Budget advises that there is no objection to the submission of this report to the Congress from the standpoint of the administration program.

Sincerely,

WENDELL L. WILLKIE II,
General Counsel.

ADDITIONAL COMMENTS OF THE U.S. DEPARTMENT OF COMMERCE ON H.R. 3042, DEPARTMENT OF COMMERCE RESEARCH AND TECHNOLOGY AUTHORIZATION ACT FOR FISCAL YEARS 1990, 1991, AND 1992

For fiscal year 1990, H.R. 3042 authorizes $4 million for the Technology Administration not including the Japanese Technical Literature Program which is authorized at a level of $1 million. For NIST program activities the bill authorizes $171,050,000, which figure includes $250,000 for a pilot program to place a technical standards expert in foreign countries which request such assistance. It also authorizes $50 million for the advanced technology program (ATP). Finally, an amendment provides $100 million over 3 years for a program to support the development of high definition television.

We cannot support the authorization levels called for in H.R. 3042, which far exceed the president's fiscal year 1991 budget request for ~~the~~ the Technology Administration, including the Japanese Technical Literature Program, and for NIST. The budget request of the President reflects the administration's judgment, recognizing tight fiscal constraints, as to the amount of Federal funding which can be devoted to these particular programs at this time. The priority for funding should remain with NIST's core functions which are essential to U.S. industrial health and competitiveness—the basic goal of every aspect of this appropriations measure.

In addition to budgetary considerations, our support for the ATP is conditioned upon the program's being limited to support of research of generic precompetitive technologies; it must not extend into product commercialization. Also, research efforts should be industry-led. Furthermore, it is critical that Congress not mandate specific amounts for the support of specified technologies, but instead that substantial discretion be left with those implementing the ATP. Although we may be able to identify some technologies that are especially promising—or even essential—to U.S. competitiveness, we simply cannot know in advance which technologies will generate industry initiatives that will merit program support.

Finally, it is important that neither the ATP nor other provisions of this legislation require the identification ~~and~~ discriminatory treatment of foreign companies. Such provisions are directly contrary to established and sound U.S. Government trade and investment policies, and they would seriously undermine our efforts to encourage widespread adoption of sound trade and investment policies by other nations.

We strongly oppose the amendment to H.R. 3042 authorizing $100 million for support of R&D in high definition television. We believe that a program of R&D support aimed specifically and solely toward high definition television would be inappropriate.

We oppose as unnecessary the amendment to H.R. 3042 (and a similar provision in S. 1191) authorizing funds for a pilot program to assist other countries in the development of industrial standards. The American/Saudi Roundtable, a U.S. private sector organization, has embarked on a program to solicit the funding needed to support the assignment of a research associate from NIST to the Saudi Arabian Standards Organization (SASO). To date, $150,000 has been raised. It will take at least $500,000 to support a 2-year program in Saudi Arabia. We believe that the American businesses that participate in a multibillion dollar market should be willing to raise the $250,000 needed annually to support a technical standards presence in Saudi Arabia.

We also oppose section 6 of H.R. 3042, which authorizes appropriations to modernize the functions of the National Technical Information Service. The administration believes that fees from users of information products and services should be sufficient over the long term to cover the cost of needed improvements.

Section 9 of H.R. 3042 would amend section 11(e)(7) of the Stevenson-Wydler Act (15 U.S.C. § 3710(e)(7)) to extend the applicability from certain named fiscal years to "any fiscal year" of the requirement that agencies transfer certain funds to NIST for the carrying out of the activities of the Federal Laboratory Consortium for Technology Transfer. We oppose extending indefinitely the current funding mechanism for the consortium because it leaves the consortium's activities and funding levels without proper congressional and executive branch oversight. Moreover, the formula for member-agency contributions leaves the total amount that will actually be available for the consortium's administrative support undetermined. The administration, therefore, asks the Committee simply to extend the authorization for the transfer to the consortium for another year. We will work with the Committee over the coming months to examine alternatives to the consortium's present funding arrangement.

Section 10 of H.R. 3042 would amend section 12(a) of the Stevenson-Wydler Act to make mandatory agencies' currently discretionary power to delegate authority for entering into cooperative R&D agreements to directors of Federal laboratories. Although we support the goal of the provision to strengthen the Government's technology transfer efforts, the proposed provision is objectionable because it removes executive branch flexibility in delegation of authority regardless of circumstances. Section 1 of Executive Order 12591 already provides for delegation of authority to the Federal laboratories. Inherent in an Executive order is the authority of the President to make changes and grant exceptions. If this provision is enacted by statute, administrative flexibility is removed.

We strongly object, however, to the provisions of section 10 that provide different standards for protection of the trade secrets or other confidential information of firms participating in cooperative R&D agreements depending on whether the firms are domestic or foreign. Such blatantly discriminatory treatment of foreign firms is directly contrary to established and sound U.S. Government trade and investment policies and would seriously undermine our efforts to encourage widespread adoption of nondiscriminatory policies by other nations. The protections of this section for trade secrets and other confidential information should apply to any non-Federal party participating in a cooperative R&D agreement.

TRADE POLICY

Senator HOLLINGS. We are talking about the law, and that is not only the Brown provision about proprietary information of companies involved in R&D agreements under the Stevenson-Wydler Innovation Act. "Such provisions are directly contrary to establishing sound——"

He might disagree with the law, but tell him to carry his disagreement on home with him and leave it out of these documents and out of the Department of Commerce.

Because he is espousing—"sound U.S."—nobody has got the audacity to call our trade policy sound—[laughter]—"seriously undermine our efforts to encourage widespread adoption of our investment policies."

We have tried that malarky for 35 or 40 years. We have been espousing free trade. In fact, politicians babble and don't know what they are talking about. That is why they are changing you. We are going to get reciprocal in order to get free trade.

That is just like peace. We all want world peace, but you have got to have a defense. You don't just lay down your arms and say, "I am peaceful; why don't you be peaceful? I am free; why don't you be free?"

Wake that Willkie up over there. [Laughter.]

Senator RUDMAN. In fairness, I don't think it is his fault, Mr. Chairman. I think that reflects a longstanding confusion in the administration that goes back not just to this administration, but the previous administration, between free and open trade and self-interest, and there is a difference.

Senator HOLLINGS. Senator Kasten.

IMPROVED ECONOMIC STATISTICS

Senator KASTEN. Mr. Secretary, first of all, thank you for being here. I have got one comment and one question. On page 3, you talk about the "President's commitment to improve our economic statistics." I am sure you mean the reporting statistics, but you have got a gang of people now working with you who I think are among the strongest in terms of developing dynamic revenue estimates of the effects on our economy of things like capital gains tax cuts, tax reduction, et cetera, of anywhere in the Government right now.

I just want to say that I hope that you and your people cannot only work in reporting what has happened, but to help Michael Boskin and Nick Brady and others in this town get us out of this rut that we are in. Every time we come up with a plan to reduce tax rates or to make other kinds of changes, like in capital gains, we bump up to these static revenue estimates that aren't right.

History is proving that reducing tax rates is improving the economy and improving and increasing tax revenues, and we bump up against that. It is one thing to do it up on the Hill, but it is another thing to do it where we are in charge, and we have been in charge of Treasury; we have been in charge of Commerce now for 8 or 9 years, and we still get the wrong revenue estimates on these different kinds of proposals.

So I would hope that as you work to improve our economic statistics, take some of these funds and use them to influence this debate that should no longer be going on in this particular administration.

Secretary MOSBACHER. You know Dr. Michael Darby. He and Dr. Boskin and their people, have been working long and hard on this, and I think they have made some real progress.

I just wanted to add something to what you said.

Senator KASTEN. He should probably just say, "Thank you," is what he should say. [Laughter.]

Mr. DARBY. Senator, it is a compliment, but I am not sure I like to be referred to as a gangster. [Laughter.]

ASSISTING EASTERN EUROPE

Senator KASTEN. I want to ask you a question about Eastern Europe. I didn't see it in your testimony, but as we see democracy breaking out all over the world, it seems to me that there is a role here for something more than just appropriated dollars. Are we talking about appropriated dollars, where it is to Panama or to Nicaragua or to Poland or to Hungary, and who knows what is going to happen in the next budget round?

It seems to me that there have got to be things that you and the Department of Commerce can do with regard to assistance; with regard to advice; with regard to help in setting up a system of trade; with regard to help in setting up a system of banking; with regard to help in setting up stable currencies. There is a whole set of issues in here, and I don't mean that it all is in Commerce, but you are here right now before this committee.

What is this administration going to be doing, and what can you do in Commerce in this whole area? Because I think it is very, very important that we do more than just dump money into some of these countries, and a number of the leaders of these countries that have been here have told us they don't want money. In fact, they want the kind of technical assistance that I am trying to define here.

Secretary MOSBACHER. We are already well into doing many of the things you mentioned, Senator. We have been to Poland, and I say "we." Many members in the Department, most of the people here, and others who aren't here, have been to Poland two or three times, and Hungary a couple of times. I just got back from Czechoslovakia and some of the people in the Department just were there a week ago.

In the long run the appropriated money may help as a kick start to make a difference in getting the private sector involved, their private sector and our private sector and doing it as a business venture, because if they are going to bring their economy up to western standards, that is the way it is going to happen, not by grants to government.

We are building our foreign commercial service offices in all of those places. We are opening or reopening a foreign commercial service office in Czechoslovakia. We are expanding the ones in Hungary and Poland, and in the Soviet Union.

We have started comprehensive business and economic agreements with Hungary and Poland. We are pretty well down the line with it. As a matter of fact, I am not sure whether Wendell Willkie may have gone over there. Some people in his department, I know, are over there now working on these things, and we think what this will do is give United States business a level of comfort so they can make joint ventures with the Eastern European countries' companies, with the private sector, not the public sector.

The enterprise fund will help this, but it will be loans and, in some cases, grants; mostly loans to the private sector. That is how we are going to do it. We have started legal seminars, technical assistance. We are working with the private sector in the IESC. That is the International Executive Service Corps, the older, retired executives. We are working with some younger people.

We are trying to get all these things cranked up, and I think we are really making progress. Every time I go over there, I not only work with the government, but I work with the private sector, what the United States has over there. For instance, we opened a chamber in Hungary; we are working on one in Poland; we will start one in Czechoslovakia. We met with the Czechoslovakian business community, what little there is over there.

So that is the direction we are going. We are trying to make sure it is private sector, because that is the long-term way it is going to go.

EUROPEAN DEVELOPMENT BANK AID

Senator KASTEN. Let me just say, do you believe that this European development bank, which the French are pushing and Treasury is about to jump on board with, fits your basic category of the kind of aid and assistance that we should be doing?

Specifically, the European development bank is talking about aid to governments, not aid to the private sector and the European development bank is talking about——

Secretary MOSBACHER. I think that is primarily a Treasury and another Department decision, but what I get from it is they are going to go ahead, and if we want to be a part of the action, we are probably better off being in than being outside.

Senator KASTEN. Everybody on this side of the table recognizes what has happened with all these different replenishments of the existing multilateral development banks.

At a time when we have budget constraints the way they are, I think it is going to be very, very tough to start whole new $12 or $14 billion European developments banks with United States funds when we are not going to have a veto on how the money is to be used and when the dollars are going to be going to governments, including the Government of the Soviet Union. That is going to be tough, tough to sell up here.

Thank you, Mr. Secretary.

Senator **Hollings**. Thank you.

Senator Gramm.

EASTERN EUROPE

Senator **Gramm**. Thank you, Mr. Chairman. Let me just pick up on Eastern Europe. It never ceases to amaze me that we take countries that suffer from too much government and immediately, the Congress and the White House fight it out as to who will give the governments of those people the most money. It suggests to me that ultimately, the struggle for perestroika will be won or lost here in Washington, not in Moscow.

In fact, this is the only place on Earth where there is still a substantial body of political thought that believes the answer is more government, not less. In fact, we have heard that view spoken for here this morning. [Laughter.]

I would like to ask you, is there any interest in the Commerce Department in examining alternatives to sending all this money, money that carries no guarantee that it is going to be used to promote the objectives we want? In fact, I could cite you a dozen examples, beginning in El Salvador, where we have used money to take land away from farmers; to institute collective agriculture; to impose wage, price, and capital controls, total control of the economy, all paid for by the American taxpayer. Our money has gone to finance cronyism in the Philippines.

With our proven lack of achievement in using our money to promote economic freedom, is there any interest in the Commerce Department, or elsewhere in the Government, at examining a different method of assistance? For example, we could say to Poland, "If you will institute a convertible currency, if you will respect private property, if you will lift any limits on labor and capital mobility, we would be willing to sit down and negotiate a free trade agreement."

We have about $1 billion of trade with Poland. If it doubled under a free trade agreement, we would still be trading with them less than we trade with Costa Rica. I can't imagine there are a lot of industries in America that would jump up and down in opposition. [Laughter.]

Is there any thought of using such a radical idea as that as part of our economic development program?

Secretary **Mosbacher**. Senator, what we are talking about, and I guess I didn't make it very clear, is not sending money from Commerce to the Government at all. We are really talking about, rather than money, mostly about people. We are talking about opening up our foreign commercial services so that we can matchmake for United States companies to get together either to sell to or to invest with the Eastern European people, private sector, not public sector.

We are talking about the commercial business agreements, the comprehensive agreements to open up for the private sector, not the public sector, and we are talking about these legal and accounting seminars to make the private sector able to function over there. Our private sector is going over there, like the great success story of McDonald's and Time-Warner, going in there with movie theaters; you see GE and GM coming in, smaller companies going in, Guardian Glass and a whole plethora of companies going.

I agree with you that we are not trying to bolster the country. We have to make sure that they have a convertible currency for our country. I don't think we are saying that much different. I don't think we are ready for a free trade agreement yet.

Senator GRAMM. I don't think the major source of our problem in terms of this movement toward transfer of American taxpayer funds is coming from the Commerce Department, but I do think that the thrust of our policy in dealing with Eastern Europe is to give American taxpayer funding to these governments that are already too big, and I am fearful that the result is going to be a lot of frustration.

If I had to bet the future of Eastern Europe and the future perestroika on trade or aid, I would bet my money on trade.

Secretary MOSBACHER. Yes, sir; I agree with you 100 percent.

Senator HOLLINGS. Thank you.

Senator Bumpers.

Senator BUMPERS. Mr. Secretary, I just have two or three questions, fairly mundane. Incidentally, I agree with Senator Gramm to some extent. I don't think we can afford any more democracy. We just had General Thurmond over to the Defense Subcommittee. It will be another $1 billion to restore their economy.

Senator HOLLINGS. "Read my lips." [Laughter.]

HIGH DEFINITION TELEVISION

Senator BUMPERS. Mr. Secretary, let me ask you, are we putting money into high definition television research?

Secretary MOSBACHER. DARPA is. Let's say we, the Government, are through DARPA, putting in a fair amount of money. We are examining high definition television as a part of the whole telecommunications change, and it is an important part of it, but it is just a part.

When you talk about high definition television, you should also, in my view, be talking about fiber optics and digital switching and a whole spectrum of the telecommunications area.

So we haven't backed away from our interest in HDTV, but we have kind of enveloped it in the whole area, because as we started looking at it, we thought you couldn't pull that out by itself and start looking at it without talking about telecommunications.

Senator BUMPERS. How would you say we stand right now relative to Japan as far as the progress that has been made in high definition television? How far away are we?

Secretary MOSBACHER. We are certainly way behind them in that, but there is a real chance that we could leapfrog over their position.

Senator BUMPERS. I see stories questioning their technology, how big the market is going to be. Do you agree with those, or do you have any other thoughts on this?

Secretary MOSBACHER. I do, because we think there will eventually be a lot of market for improved television, but at this point, it is very expensive; it has to do with what standards we set and the spectrum and how we deliver it. I don't want to get into all this, but terrestrial and through satellite are probably the best ways, and I don't want to make this a final conclusion, but it could be through fiber optics in this big country.

SUPERCOMPUTERS

Senator **Bumpers**. Mr. Secretary, let me ask you this. This is sort of a philosophical question. We are getting ready to spend several billion dollars in your home State on the supercollider.

That is a project which everybody looks forward to, maybe with the exception of me. I am not that hot about it. I think we get more bang for the buck by joining the Geneva consortium. But we have agreed as a government that the kinds of findings that the supercollider might give us is worth putting $5 to $10 billion in.

Let me ask you this: Why is Government investment not just as important where the private sector doesn't have the funds or just doesn't see any light at the end of the tunnel? There are some things that I think have a national overriding interest. We do it in the Defense Department all the time. We don't do it in the private sector very often.

But my question is this: If we are going to put $7 billion in a supercollider, why are we not helping to put together some kind of consortium on supercomputers?

Secretary **Mosbacher**. I don't think I can answer your question just on supercomputers, but let me try to answer it on a broader base. I think the Government and the private sector need to work more closely on research and development. We had what people tell me was an historic meeting down here yesterday.

I didn't chair it; Secretary Watkins of the Energy Department chaired it, and I was sitting in. But there was a whole group, mostly private sector people, who talked about how to redirect the $71 billion, or parts of it.

I think it is really answering that concern of yours. I think the President has said he wanted to review it in redirecting it. The Department of Energy, I understand for the first time under Admiral Watkins, is willing, very willing—he is the lead on this—to do this. We are very, very willing to do it. We have been, but I think more and more, certainly, the administration is together on it. I sense the Congress is pretty much together. I think we just need to develop a plan that makes sense.

So that is, I say, a broader answer to what you are speaking of.

Senator **Bumpers**. I am sure the other Members of Congress have a particular interest in something similar to that. I just happen to believe that we are really going to be left in the starting block if we don't get in gear, and there are some things, contrary to Senator Gramm's belief, that the Government has to get involved in or it isn't going to happen. I consider the supercomputer to be one of those.

Let me just say that I noticed you have zapped EDA for the ninth consecutive year, so I guess Senator Hollings and I will have to sit down and decide how much we are going to put in EDA again. It is a good program.

ADVANCED TECHNOLOGY CENTERS

Senator HOLLINGS. We can help get a supercomputer. Just think if we could put $5 to $10 billion in the supercompetitive program of Department of Commerce, namely, the advanced technology program, the regional centers, and the extension service for small business that you worked for last year.

The Secretary saw it, and you weren't here when I commented on it, but 80 percent of the jobs are small business, and we get the technology, development and everything if we just jazzed in $5 to $10 billion and put those centers all around getting business going and everything, you would find a result rather than a supercollider.

We really need to get Commerce into commerce is what I am trying to tell you.

Senator BUMPERS. I will just close with this point: That we continue to have a problem in this country where the big, not just the research corporations, but the big corporations that are capable of doing this are simply not willing to come up with a quarterly report that doesn't show an increase in profits. Until that mentality changes and until the people of this country respond differently to the way they invest in the market, I just don't see how we are going to catch the Japanese.

The U.S. corporate world simply has a mentality that refuses to put the kind of money into research that they ought to be putting into it.

Secretary MOSBACHER. I worry about that, too. I think we may be seeing the beginning of a change in that.

Senator BUMPERS. I would like to believe that.

Thank you, Mr. Chairman.

Senator HOLLINGS. Thank you.

Senator Stevens.

FISHING VESSEL LOANS

Senator STEVENS. I want to thank you, Mr. Secretary, for your emphasis on NOAA this year. It is commendable to see that increase. I think it should be greater.

I want you to know that your NOAA scientists have emerged from the aftermath of the *Exxon Valdez* spill with even greater credibility. They really have done a marvelous job and have reestablished, really, the credibility of the Government scientists in the area that I come from.

I do have one problem, however, that I have written you about, and that is why I dropped in. I have got to go back to another meeting, but I was surprised to find that the Department had financed 11 different vessels for one ownership under the vessel construction fund, those factory trawlers that are now the scourge of the North Pacific.

I am told now, Mr. Secretary, that by the end of 1992, we should expect 93 of those trawlers and that they will have the capacity to harvest every bit of fish from the Equator to the pole in the Pacific, that they will force the retirement of about 10,000 separate vessels.

What bothers me is when I found out that 10 of those vessels that are currently out there now, and I think the 11th was coming, were financed with Federal funds. I would like to ask you personally to look into that. I just don't understand that, one vessel for one person. The idea of that fund was to allow people who are good fishermen to upgrade their vessels to be able to compete when they had some bad seasons and they still had to increase their capability, modernize their gear.

But this one really bothers me. Multiple loans from such a small fund I just don't understand. I have written you. I don't know if you have seen the letters, but have you any information here? Is anyone here to tell us why that happened?

Secretary **Mosbacher**. Gray Castle, the Deputy Under Secretary is here, but he and I just talked about it. We would like to have an opportunity to get back with you on that.

Senator **Stevens**. I don't want to belabor it here. I came over here; I have written you some letters. I know you, like us, have lots of letters, but that one is bad. No one should get that much money out of such a limited fund, and there is something wrong down there if one guy can get that much money out of that limited fund to build those massive monsters that—I just don't know why they exist.

It is unfortunate that we have gone that trend, and I faintly suspect there is some—well, I know there is foreign money in several of those vessels. The people we chased out of the 200-mile limit have come back with their capital, and they have secured the product, and the fish aren't coming to our shores for processing. It has just turned the whole fishing industry around.

But the bulk of that money that really spurred that development came from the Commerce fund, and I think that is wrong.

Mr. Chairman, I think we ought to get a report on that fund and find out why one entity got so much money.

Senator **Hollings**.We will do it. OK?

Secretary **Mosbacher**. And we will get an answer to you right away.

Senator **Stevens**. Thank you, Mr. Chairman.

[The information follows:]

LETTER FROM ROBERT A. MOSBACHER

APRIL 10, 1990.

Hon. TED STEVENS,
United States Senate, Washington, DC.

DEAR SENATOR STEVENS: During my testimony on March 8, 1990, you expressed concern that one firm had built several new factory trawlers that are now fishing off Alaska using financial assistance provided by the Department's Fisheries Obligation Guarantee (FOG) Program.

The FOG program has guaranteed a number of major new investments in the Alaskan fisheries. Two applicants with very strong financial statements and extensive fishing experience have qualified for multiple loan guarantees. Their efforts, together with high levels of private investment, contributed to the very rapid development of the Alaskan fisheries.

Until recently, Congress has shown little interest in curtailing the FOG program. Several attempts by the administration to repeal the authorizing legislation, or place administrative limits on the size of the loan portfolio, have been rejected. Indeed, recent legislation prohibits denial of loan guarantees solely because of the type of vessel being financed.

Now that the fishery resources off Alaska have been fully developed, Congress may wish to reconsider the value of this program to the Nation's fishing industry. In the meantime, because of your concern, I have asked the Under Secretary for Oceans and Atmosphere, Dr. John A. Knauss, to reexamine the manner in which the FOG program is being administered. I am also requiring that all new loan guarantees be approved by the Deputy Under Secretary.

I have attached a list of the top five users of the FOG program; this covers both the vessel and shoreside facility categories. Please contact me again if you require additional information.

Sincerely,

ROBERT A. MOSBACHER.

FISHERIES OBLIGATION GUARANTEE PROGRAM STATISTICS

[Five largest participants]

Firm name	Vessels or facilities	Guaranteed loans
Arctic Alaska	18 crab, trawl and/or factory trawl vessels	$99,300,000
Trident Seafoods	6 trawl vessels and 4 shoreside facilities	54,500,000
Zapata Haynie	22 offshore supply boats converted for menhaden industry	20,000,000
Z Group	3 tuna seiners and a cold storage facility	13,900,000
Burton Shipyard	Shipyard facilities	10,500,000

Note: The above list contains all approved loan guarantees, some of which have not yet closed. FOG program officials indicate that at least one-half of the Arctic Alaska vessels were either completed or under construction before FOG program loan guarantees were applied for.

QUAHOG FISHING

Senator HOLLINGS. Senator Lautenberg.

Senator LAUTENBERG. Thank you, Mr. Chairman, and welcome, Mr. Secretary. I look forward to our meetings. They have been too infrequent, but I do look forward to them.

Your range of responsibilities really never ceases to amaze me because we can talk about things from the supercolliders down to quahog fishing off the coast of New Jersey.

There is now a regulation that has come before you for approval. It sparked some controversy, because the council is proposing a regulation that would take quota on the total harvest, divide it up and hand it out as a property right to the fishermen based on what they have caught in the past.

They can then market the quota to others, but if you are a newcomer, you don't have a chance to get into the water in the pure sense of the word. This is a problem in New Jersey.

When a fishery is threatened by overfishing, we need to protect it, but the council has conceded, and here I quote, "The ocean quahog resource is large relative to current catchloads."

There is also no problem with overcapitalization of fleets. The traditional question, Mr. Secretary: It ain't broke; why fix it?

Secretary MOSBACHER. We are in, as you know, the public notice and comment period until March 15, and as soon as that is through, we will get back to you.

Senator LAUTENBERG. I will give this information to Bill Fritts and make sure this letter gets over there to you to reflect our interests.

ENVIRONMENTAL PROTECTION

I am, I hope you know, a fairly strong advocate of a clean environment. I am a very strong supporter of environmental protection laws. There is one thing that is fairly clear in that environmental pollution isn't just our problem; it is a global problem. We face the global warming issue, and that has no borders, acid rain, et cetera.

All countries have to make sure that economic growth goes hand-in-hand with environmental protection, and we try to make certain of that with our restrictions on multilateral loans, et cetera, and saying that we don't want to fund projects that damage the environment.

I have an idea: I think that before we give special trade benefits to developing countries under GSP or CBI, we ought to make sure they are doing a decent job of protecting the environment. We ought to also make it an unfair trade practice to avoid even minimal environmental protection.

I wonder; do you think it makes sense to promote environmentally sensitive economic development?

Secretary MOSBACHER. I was thinking, while you were saying this, that before we give them GSP or any aid, that they do something about their environment, and in theory, I agree with you, because Eastern Europe, Poland—their environments are terrible.

Senator LAUTENBERG. They are terrible; Third World countries; even our neighbors.

Secretary MOSBACHER. But you know, that is a tough one to answer because in some cases, they are in such bad economic shape and bad infrastructure shape that you kind of feel like the house is burning, and you have got to put out the fire before you build a new roof.

I think an early step ought to be helping them with the environment, but I think maybe we need to help them first just get started and then they will desperately need help with the environment because it not only affects them; it affects all of us.

As a matter of fact, our Ambassador to Czechoslovakia told me that she saw a study that said just living in Prague was like smoking two packs of cigarettes a day, just breathing the air.

Senator LAUTENBERG. We can't be the policemen or, in your example, the firemen for everybody, but what happens is now we are discussing clean air legislation, and it is going to cost American industry some money to comply. I think the savings will be offset by improved health, et cetera, but our industry is placed at a distinct disadvantage when products are made without regard at all for the environment in other places.

I would love to figure out a way, Mr. Chairman, to try and have a cost for that.

Senator RUDMAN. Would my friend yield for one moment?

Senator LAUTENBERG. I sure would.

Senator RUDMAN. There was a bill introduced in the Senate this morning by Senator Gorton—and I expect the Senator from New Jersey will want to be a cosponsor—which does exactly that in conjunction with the clean air bill. It attempts to get an equalization between the cost U.S. industries are going to undertake for clean air vis-a-vis those foreign industries that don't and level an import fee of the difference on those foreign imports. It is very interesting and flies in the face of free trade, antiprotectionism, et cetera, et cetera, but from a level playing field point of view, it does precisely what Senator Lautenberg is talking about.

Of course, I support that. I don't think American industry ought to have to compete at a disadvantage because the workers in the other countries are going to be choking to death and ours are going to have clean air to inhale at a substantial cost. They shouldn't lose their jobs because they are breathing clean air.

So that is a very interesting piece of legislation; it was just introduced today.

Senator LAUTENBERG. I have looked at Senator Gorton's legislation. I am concerned about the GATT question there. GSP we can deal with, perhaps, and CBI.

I think, Mr. Secretary, that it would be a good idea, and I would hope that you would agree, that the Commerce Department might keep track of environmental spending by our trading partners since there is no organized data collection. I know you don't need a lot of new assignments, but this is one I hope that you would give some consideration to.

Mr. Chairman, in respect for those who have been sitting here and the Secretary's time, I have got a couple of questions that I would like to submit to the Secretary and ask for a written response at your earliest convenience.

Senator HOLLINGS. Very good. Thank you.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Mr. Secretary, just one suggestion: That while you have done well, and it has been commented on by Senator Stevens and others, with respect to NOAA, it is still a cut. In other words, you are the first Secretary that has provided in years here for coastal zone management. You are requesting $30 million, but that is a 4.4-percent cut from what we have this year.

Additionally, what is happening now is EPA, the regulatory body on the environment, is coming around end and wants to do the research work, such as an estuarine study, in my own back yard. They are full of money. They are running around saying, "Oh, we got money; let's start a study, let's start a study."

Hey, I have been trying to keep the coastal zone management in an orderly process; the coastal council. That is a President Nixon initiative back in 1969 and 1970. Reorganization plan No. 3, a Republican program, if we want to characterize it.

It worked extremely well during the seventies. All during the eighties, cut, cut, cut, and now you have come on board, and we welcome it.

Additionally, with respect to the rules and regulations and the body of science that you have over the years, you see what we have with the Weather Bureau, the scientists, with respect to the oceans, atmosphere, and weather. We have got NASA over here in space, and EPA has been integrating information from the two research agencies into proper regulation.

Now if EPA is going to take over not only the regulation, but the study, we are going to be making regulations to control the science rather than the science controlling the regulations. I am very much disturbed about it, because of the general language we find in the department of environment legislation. You really want to watch that and avoid that kind of duplication.

Otherwise, we are not going to be able, at the congressional level, to support a body of science here and a group over there. You historically merged the Weather Bureau and the old coast and geodetic survey into ESSA, the Environmental Science Services Administration and then into NOAA and have done really well. When I went to the South Pole, I saw a NOAA officer down there doing the work and showing the hole in the ozone. NOAA's work has been so sublimated and with a lack of leadership, the members don't know it, and think, "Oh, we have got to hurry up and get into the environment."

NOAA has been into the environment, and is leading the way, but we have just been estoppelfied; we haven't been able to fund it. I hope you give a greater attention to the estuarine programs, the coastal zone management, and the research scientists that we have over there in NOAA. Otherwise, you will find the individuals are going to get disillusioned or leave and go somewhere else; it is just going to start breaking down.

Secretary MOSBACHER. We are, and although we may not have it all direct and just where you would prefer, we, as you know, have the biggest increase in the entire budget of the Department in NOAA. A lot of it is in the global climate watch. With budget constraints, you put it where you think you need it.

We think that NOAA, incidentally, as far as this administration is concerned, is where it belongs. After all, Senator Lautenberg said, and I think the rest of you agree and I know I do, that you have got to balance the competitiveness of this country with the clean air. Commerce is where you can look at both sides of it as well as anywhere else.

Senator HOLLINGS. The name of the agency is National Oceanic and Atmospheric Administration. They don't get that atmospheric part, but that is where it has been. It has done the job, and you have real leadership now, you have an outstanding scientist in Dr. Knauss. Let's support him with some money. [Laughter.]

LETTER FROM PUBLIC RADIO EXPANSION TASK FORCE

[CLERK'S NOTE.—Subsequent to the hearing the subcommittee has received a letter from Dale K. Ouzts, the chairman of the Public Radio Expansion Task Force, with regard to achieving full national coverage of public radio. By direction of the chairman the letter has been printed in the record.]

[The letter and report follow:]

LETTER FROM DALE K. OUZTS, CHAIRMAN, PUBLIC RADIO EXPANSION TASK FORCE

March 19, 1990

Honorable Ernest F. Hollings, Chairman
Subcommittee of Commerce, Justice,
 State and the Judiciary
Senate Appropriations Committee
U.S. Senate
Washington, DC 20510

Dear Mr. Chairman:

We are pleased to forward to you a copy of *Public Radio in the 1990s: Fulfilling the Promise.*

This report was prepared by the Public Radio Expansion Task Force, an independent working group representative of public radio's interests at both the station and the national level.

Our broad goal is to assure that public radio is available to, and used by, more of the American people. Our plan will achieve:

- Major progress toward full national coverage.
- Increased station effectiveness.
- Greater efficiency from current resources.
- New programming that will increase and diversify public radio's audience.

The report has been widely endorsed within the public radio community -- by the Corporation for Public Broadcasting, National Public Radio, the National Federation of Community Broadcasters, and several public radio regional organizations. CPB has committed substantial funds to start work on the recommendations.

The full plan outlined in the report requires further resources from both the public and private sectors. We hope you will support funding for public broadcasting at the full authorized level, so that public radio can fulfill the promise of public service that both Congress and we in public radio have envisioned.

Sincerely,

Dale K. Ouzts

Dale K. Ouzts
Chairman

PUBLIC RADIO IN THE 1990S
FULFILLING THE PROMISE

THE REPORT OF THE PUBLIC RADIO EXPANSION TASK FORCE

JANUARY, 1990

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PREFACE

The entire question (and subsequent ramifications) of how public radio will expand in the 1990s is an important issue that deserves the close attention of the professionals in public radio today.

This report presents the results of thousands of hours of thought among public radio professionals on the future of public radio. The depth and breadth of the contributions by people across the nation only made the work of the Task Force members more complex. No bad ideas were offered. None of the ideas offered could be easily discarded or omitted.

Public radio has been expanding since the Public Broadcasting Act of 1967 created the term "public broadcasting" to replace the misunderstood term of "educational broadcasting." New stations appeared every year, but there was insufficient attention to systems or planned growth. A few short years after the Corporation for Public Broadcasting (CPB) was founded by Congressional mandate, it issued a plan for expansion of public radio. Naturally, the number of public radio stations increased and their varied services matured. Before long, the targets of the plan having been hit, attention shifted from expansion to system support and improvement. But public radio service was yet to be made available to many people, and services still foundered in some areas where they had been made available.

The Public Radio Expansion Task Force was convened in March of 1989, in the belief that it was again time to develop a systematic method of extending public radio services. The Task Force composition reflects the interests of both individuals and organizations, stations of various sizes, market and licensee differences, and diverse opinions on a myriad of subjects related to expansion. Six national organizations are represented on the Task Force, and seven station representatives come from across the country, together representing all sizes and types of licensees, many types of programming and target audiences, and stations that benefit from the federal support of public radio and those stations that do not.

The Task Force, all public radio stations, and organizations supporting public radio owe a debt of gratitude to the Carnegie Corporation of New York for funding many of the Task Force's expenses. The Carnegie Corporation has supported work that deals with the future of public broadcasting on several occasions, including the landmark study that provided much of the content of the Public Broadcasting Act of 1967. All the members of the Task Force join me in expressing our appreciation for the Carnegie Corporation's support.

The Corporation for Public Broadcasting also contributed to the Task Force's expenses and hosted most of our meetings.

While the Task Force was meeting from coast to coast with station representatives at national, regional, and state meetings, lots of people were working hard even if they were not always present or visible. As Chairman, I want to thank first Tom Thomas and Terry Clifford, of the Station Resource Group (SRG), for their extensive work in drafting various versions of the Task Force's report. Their untiring efforts to capture our rambling consensus on paper provided immeasurable help in keeping the Task Force moving toward a deadline that always seemed too near. SRG also secured and administered the funding from the Carnegie Corporation on behalf of the Task Force.

Rich Eiswerth of National Public Radio (NPR) served as Recording Secretary for our meetings. His work was notably helpful, but may prove even more so in the future if an historian decides to look back on what was done. Ted Coltman of CPB provided significant assistance to the Task Force with research help, both new and revisited.

Many others helped the Task Force move toward its final report. The stations provided too many good ideas, deep concerns, and difficult questions. The regional organizations provided scheduled times in busy agendas and a forum for gathering data. National organizations did likewise, as well as providing representatives to serve on the Task Force.

The Task Force appreciates the help of Jaquelyn Nixon of NPR and Salvina Cappello of CPB with respect to audience research, Jeff Tellis and John Murphy of the Intercollegiate Broadcasting System (IBS) for their vigilance in keeping the Task Force aware of the concerns of their member stations, and Rich McClear who represented Alaska Public Radio Network at several of our meetings. We also thank Alma Long at NPR, who helped with meeting logistics, and Rebecca Hartman of CPB, who helped with logistics and took care of our needs during several meetings at CPB. I'm certain that not all who helped have been named here, but to all the others – your help is appreciated.

The opportunity provided by the timing and interest in this issue is rarely found or recognized. The opportunity exists to have a full, robust discussion within the public radio system, and then build unanimous support for the result. Rarely has any subject in public broadcasting had the chance for unanimous support and none has achieved it. We hope to start a new trend toward consensus and broad support of important system issues.

DALE K. OUZTS
Chairman

SUMMARY

Public radio has emerged as a vital information resource for our nation and a fundamental institution in American culture. By embracing a wider universe of stations, producers, and supporters, and by reaching broadly across the diversity of our multicultural society, public radio can fulfill its early promise and expand the initial vision of service to the American people.

We see a public radio system of nearly 600 stations by the year 2000 – major producing stations, scores of full-service stations that present a mix of local and national programming, operations on a smaller scale that extend the reach of the national networks, and dozens of repeater facilities that take public radio into outlying areas. We see a weekly audience of 20 million listeners.

Goals. Four goals for public service encourage an accelerated effort to continue public radio's growth:

- *Achieving full national coverage* – we believe it is possible to reach 95 percent of the population by 2000, a 10 percent increase in coverage to a level of service now enjoyed by public television.
- *Increasing the effectiveness of existing stations* – by improving the quality, presentation, and scheduling of current programming, and developing new "centerpiece" programming, we believe current stations can increase their weekly audience by 35 percent.
- *Realizing greater efficiencies from current resources* – by bringing additional stations into the public radio satellite network, public radio can increase the efficiency of national programming investments, reach a significant number of new listeners, and spread national programming and interconnection costs over a larger base of stations.
- *Enhancing the diversity of the audience* – with a disciplined and sophisticated programming strategy, including new programming streams and multiple stations in larger communities, public radio can reach more broadly into society and serve listeners now at the periphery of public radio's audience.

Recommendations. Our expansion strategy is premised on protecting and sustaining the accomplishments of the past twenty years. The greatest resource for public radio's future is the system already in place – the more than 300 stations that now reach 85 percent of the population, that raise $225 million in nonfederal support, and that serve 13.3 million listeners each week with local and national programming of the highest quality.

Building on this foundation, we have developed recommendations for a variety of national efforts to expand public radio's service. The central theme is a focus on public radio's capacity to serve its audience. We sought to move from a tally of new stations or a compilation of coverage to a plan that best brings public radio programming into the lives of as many Americans as possible.

- Existing stations and producers must be strengthened with continued investments in core programming, facilities, training, research, and promotion.
- The system must be enlarged through wider participation in the satellite network, new signals for unserved areas, assistance for stations that are upgrading to full-service standards, and limited financial support for stations pursuing public service objectives on a more limited scale.
- The system must be diversified through research to identify new service niches for public radio, major new streams of programming, and special support for minority stations.
- The expansion effort must be guided and enhanced by the evaluation of public radio's evolving audience, studies to target communities for additional

service, regulatory action to increase spectrum efficiency, new training initiatives, outreach to generate needed support in the public and private sectors, and ongoing coordination of national and local activity.

Costs. Not all of the Task Force recommendations require major new funding. Some can be implemented at little cost. Others can be initiated with modest diversions of existing funds. But if the continued growth of the current system is to be protected, the broad vision of a larger, more diverse public radio service will be realized only with new resource commitments from America's public and private sectors.

Our estimates of funds needed to implement our recommendations over the next five years include $11.2 million for station support grants, $3.6 million for new initiatives in research, training, and system-wide projects, and $1.6 million to expand the satellite network. The most costly recommendations are for new national programming, which require up to $46.5 million over the next five years.

I. CONTEXT

The Public Broadcasting Act of 1967 called for a national system of public radio stations to serve the entire country. Congress envisioned a partnership of federal support and local initiative to construct and sustain a diversified system of independent, noncommercial stations serving their communities with local and national programming of the highest quality.

In 1970, the Corporation for Public Broadcasting (CPB), created by that legislation, launched the nation's modern public radio system with its first grants to noncommercial, educational stations. CPB's initial grants were claimed by some 80 stations, too few to reach a large portion of America. The stations were seriously underfunded, collectively generating only $10 million in state and local support. Most stations broadcast no more than 12 hours a day, made do with two or three employees, and, together, served fewer than 2 million listeners per week.

The physical construction of a nationwide system was supported through a federal facilities grant program, initially located at the Department of Health, Education and Welfare, and now a part of the National Telecommunications and Information Administration (NTIA) within the Department of Commerce. Beginning in 1969, federal matching grants have paid a major portion of the hardware costs for public radio stations nationwide.

The past two decades have been a remarkable story of growth in public service. CPB now supports more than 300 stations that make programming available to 85 percent of the country. Stations have developed full-service schedules, built professional staffs and volunteer support, and raise $225 million in nonfederal funds that, with $60 million in federal support, fuels their efforts.

A satellite network delivers an outstanding repertoire of programming from National Public Radio (NPR), American Public Radio (APR), and scores of stations and independent producers. This national material, together with the local programming that constitutes the majority of most station's schedules, comprises a service of increasing quality and effectiveness. By early 1989, public radio each week served one listener in fifteen, 13.3 million Americans in all.

For all that has been accomplished, many of public radio's aspirations have yet to be achieved. Millions of listeners still have no access to a public radio signal. Where public radio is available, millions more find that current programming does not speak to their needs, interests, and tastes. Those who do listen are concentrated in relatively narrow segments of our society.

Much of public radio's national programming goes unheard in many communities – there is just not enough time on one or two station's schedules in which to place it. And without a critical mass of outlets, programs that have been launched with major public and private sector grants are at risk as they seek to make a transition to long-term station-based support.

At the local level, most stations have only begun to realize their potential for community service, for engagement and true impact in social and cultural affairs. Many are still far short of the skilled staff and fiscal support needed to produce and present programming that consistently meets their own high expectations.

Looking ahead, public radio is entering the 1990s with substantial momentum for expansion and growth already at work. Without a single change in current policy, at least 50 additional stations are likely to qualify for the Corporation for Public Broadcasting's Community Service Grants (CSGs) over the next ten years. Another 50 stations are likely to affiliate with public radio's national programming organizations and become a part of the satellite interconnection system.

Less certain, but also highly probable, is continuing growth in the number of people served by public radio, largely through the efforts of existing outlets. For the past several years public radio has given special attention to audience growth, and such efforts will remain a high priority for system investment for several years to come.

Finally, natural market forces will lead those stations in communities served by two or more public stations toward differentiation in their programming, from which some diversification of audiences will follow.

This growth and diversification would be no small accomplishment. The fact that such growth would occur under current policies reflects the strength and vigor of the nation's public radio system.

We believe that public radio can do more than let momentum take its course. With close attention to shared goals, modest changes in funding and regulatory policy, and additional resources from the public and private sectors, public radio can shape and accelerate its growth to more fully realize the expectations of the Congress and the public radio system itself, and speed the provision of service to a broader segment of the American people.

WHAT IS EXPANSION?

The first issue for the Task Force was to outline the scope of our inquiry, to define, in effect, what public radio expansion means for the 1990s.

Public radio's expansion efforts have traditionally been driven by a combination of Congressional interest in extending signals to unserved areas and in minority participation, and pressure from stations outside the Corporation for Public Broadcasting's CSG program that hoped to share in CPB's annual support. As a consequence, for almost two decades, public radio expansion principally translated as starting new stations, upgrading the signals of existing outlets, and bringing additional stations into the CSG program.

The current expansion initiative clearly echoes these traditions. But it also introduces new themes that reflect several important developments of the past few years.

In 1986, public radio focused its collective attention on efforts to increase the size of its national audience. The Radio Research Consortium, National Public Radio, and other national organizations called on stations to give high priority to a wide range of audience building efforts, and CPB devoted significant funds to the effort. The audience building effort has since touched almost every aspect of the public radio enterprise, from individual station scheduling to national programming investments. It was a central theme for the Task Force as well.

In 1987, public radio restructured the financing of its national programming. Millions of dollars that CPB had invested at National Public Radio were redirected to stations. Stations, in turn, took principal responsibility for financing NPR and other national programming. The shift to "grass roots" program financing encouraged stations to give close attention to the effectiveness of national programming, to the economies of shared investments, and to the benefits of spreading costs over a larger base of stations. It also gave national producers a strong incentive to increase the number of stations that are able to carry and pay for their programming.

In 1988, *Audience 88*, a comprehensive study of public radio programming and its audience, highlighted the linkage between specific kinds of programming and specific kinds of listeners. *Audience 88*'s findings suggested that if public radio is to reach new audiences, it will need new programming. *Audience 88* also underscored the benefits that accrue to stations that present programming with a consistent audience appeal – listeners listen longer and more often, they find the station more important, and they are more likely to support it financially. The extension of that analysis is that service to a variety of audiences can best be accomplished through several stations, each consistently serving a distinct audience segment.

The confluence of these developments – the emphasis on audience building, the new approach to financing of national programming, and *Audience 88*'s strategic implications – led the Expansion Task Force to a new definition of radio expansion. The central question, stated at the broadest level, is how, over the next decade, can public radio substantially increase the number and diversity of Americans it serves. In this framework, the traditional approach of building new stations and awarding more CSGs competes with many other options.

How does public radio most effectively increase the number of its listeners? By bringing new stations into the system? Through audience building efforts at existing stations in major markets? By finding additional stations to carry its best programs? By developing new "tentpole" programs?

How does public radio foster a more diverse audience nationwide? With an emphasis on more diverse station ownership and control? By concentrating on the geographic location of stations? With alternative national programming?

These are the questions that must be addressed in this broader formulation of the expansion issue. The Task Force worked at the level of national policy and initiative, rather than individual station problem-solving. We considered the financial feasibility of various options, and how a decision to invest in any particular option would affect the system's capacity to undertake other ventures.

WHAT IS THE PUBLIC RADIO SYSTEM?

The Federal Communications Commission has licensed 1400 noncommercial, educational radio stations. While Congress has defined all of these stations as "public radio," there are several major categories within the field:

- Some 400 noncommercial stations are devoted to religious broadcasting.
- Another 400 are operated principally by and for college or high school students, much like a student newspaper.
- Over 600 stations provide a nonsectarian service for the general public.

Most discussions of public radio, including the Task Force's inquiry, center on a subset of the latter group. For most of public radio's history, "the system" has meant a group of stations with a number of characteristics in common. They qualified for CPB's annual support grants. They received construction grants from the federal facilities program. They participated in public radio's interconnection system. They were members of NPR. They called themselves public radio. With a few exceptions, a station that had one of these traits had all the others, too. The terms CPB-qualified, NPR member, and interconnected station were essentially interchangeable and all synonymous with "the system."

As public radio has evolved, the constituencies with these key characteristics have ceased to line up in neat, congruent fashion. It is ever more difficult to define "the system" in simple terms. Nearly a fifth of the stations that qualify for CPB support are not members of NPR. Over a dozen stations participate in the interconnection system but do not receive CPB's grants. National Public Radio, American Public Radio, and the National Federation of Community Broadcasters each brings together stations both inside and outside many of these categories. For example, NPR and APR programming is heard on more than 130 stations that do not receive direct CPB support.

We must tear down the old mental walls that once rigidly divided those "in the system" from those who were not. Concurrently, we must craft new distinctions, reflecting different capacities and opportunities for public service in a changing public radio environment, that can guide future policy.

We have concluded that the public radio system of the future will be an increasingly diverse universe of stations, producers, and national organizations that share a broad commitment to public service programming for a general audience. At the same time, there will continue to be important differences among the stations and producers that comprise this larger, more loosely defined "system" -- in terms of eligibility for funds, rights to programming, access to decision-making bodies, professional standing with peers, and assumptions regarding commitment to the public radio enterprise.

SETTING SERVICE GOALS

We affirm the high priority that public radio has always assigned to the goal of near-universal signal coverage. Recent studies by the National Telecommunications and Information Administration and the Corporation for Public Broadcasting helped us identify the remaining targets for coverage.

There are currently two types of populations without a public radio signal. A substantial number of people live near major population centers in which the lack of a signal is directly related to the lack of spectrum space. Other people live in sparsely populated areas which are difficult to cover from distant locations and which are unlikely to generate adequate operating funds locally. Creative technical and financial approaches are needed to assure coverage of these areas.

The more complex service issue is that signal coverage does not mean the service will be used. Public radio is like other social and cultural institutions, such as libraries, museums, and public concert series, which are available to the entire public, but which are used by only a portion of the population.

While acknowledging the limits on public radio's capacity to serve, as noted above, the Task Force continually returned to the objective of not only enlarging, but also diversifying public radio's reach into society. Our central strategy is one of multiple services, delivered through multiple stations in the country's major population centers.

The public radio system has already surpassed the number of stations needed to deliver a single service nationwide. But it has not yet reached the level that will sustain two or more distinctive services. If the Task Force recommendations are fully implemented, achieving that capacity will be one of the major results.

We did not adopt specific audience targets, but we believe it is especially important to develop programming that appeals to America's different racial and ethnic groups. This theme should be a dominant factor in public radio's investments over the coming decade. While public radio has had limited success with respect to minority service, it has great prospects for improvement.

PUBLIC RADIO'S MISSION

With the emphasis on audience growth, the exploration of new strategies for service, and the rethinking of "the system," the Task Force needed to address whether we also believed public radio should reassess its basic mission. We emphatically reaffirmed public radio's historic commitment to an educational public service: programming of quality and significance that challenges listeners and enriches their lives with in-depth information, the best of our nation's culture, and a responsive reflection of community and national concerns.

There are limits to public radio's reach that are implicit in that commitment. There are many in our society who will find that such a service, however implemented, has no interest or appeal. We accepted those limits, and set aside proposals that were defined principally in terms of serving groups for which public radio currently has little or no appeal.

Even so, the Task Force heard eloquent testimony to the opportunities that exist for public radio to realize its mission more fully through serving a more diverse audience. While remaining loyal to its mission and the important distinctions between public and commercial radio, there are many ways in which public stations can shape and refine their programming to make it more accessible and appealing to listeners now at the periphery of their audience.

II. OPPORTUNITY

An accelerated effort to continue public radio's growth provides the opportunity to realize four public service goals:

- Achieving full national coverage.
- Increasing the effectiveness of existing stations.
- Realizing greater efficiencies from current resources.
- Enhancing the diversity of the audience.

FULL NATIONAL COVERAGE

A significant portion of the U.S. population, about 15 percent, receives no public radio service. These listeners cannot receive a signal from any of the stations that are supported by the federal investment in public radio, or that are members or affiliates of one of public radio's major national organizations. Through a mix of new full-service stations, repeater stations, and translators, public radio must continue its efforts to assure that service is available to as many Americans as possible.

We believe public radio will achieve coverage of 90 percent of the nation over the next decade, assuming continuity of current efforts. With a sustained, system-wide commitment and full implementation of the recommendations in this report, it may be possible to reach 95 percent of the population by 2000, a level of service now enjoyed by public television.

In some areas, "first service" will be achieved through upgrading the staff, programming, and facilities of existing noncommercial stations to public radio's professional standards. Indeed, in a few cases this is the only currently feasible path – technical factors preclude establishing a new station. In most unserved areas, however, a new signal will be required.

We believe only a limited number of independent, full-service stations will be established in currently unserved areas. Instead, further coverage expansion will principally be accomplished through power increases for existing stations or rebroadcast of existing signals via repeater stations, Rocky Mountain Alternative Stations (repeater stations with some local origination), and translators.

There is a special urgency to this effort. The spectrum space needed for additional service is rapidly disappearing in many parts of the country. Interference protection required for Channel 6 television (which operates on frequencies adjacent to public radio) limits full use of the noncommercial band. An explosion in religious broadcasting stations, many of which are licensed on noncommercial frequencies, is consuming full-service channels at a rapid pace. A recent regulatory change, allowing creation of translator networks fed by satellite signals, will claim still more frequencies.

There is also a special challenge. Many of the areas still without a public radio signal are sparsely populated, without established organizations to develop a station, and with limited financial resources to support construction and operation. Public radio must move forward with especially careful attention to creative and cost-efficient solutions for additional coverage.

EFFECTIVENESS OF EXISTING STATIONS

While much of the growth in public radio's audience service has come from adding stations to the system, even more has come from the increased effectiveness of existing stations. From 1979 to 1989, the number of CPB-supported stations increased by 58 percent, but the number of public radio listeners grew by 271 percent. The average station's weekly audience grew from 25,000 to 43,000.

Many factors contributed to this increased effectiveness, including increases in power and other technical improvements, the introduction of high-impact national programs, the focusing of local program schedules, the sophisticated use of audience research and program evaluation, creative promotion and community outreach, and an overall increase in the professionalism of the enterprise.

As a maturing field, public radio cannot expect to duplicate the spectacular growth of the past decade – many of the most powerful and cost-effective solutions have already been applied. We are convinced, however, that there are numerous opportunities to strengthen and refine current services and further extend the effectiveness of the existing system.

Research prepared for the Task Force highlighted a number of communities in which public radio appears to be "underperforming" compared to audience service elsewhere in the nation. While these findings were only tentative and require further analysis, they point the way to targets for major growth.

By vigorously pursuing those things public radio does best, and investing in doing them better, we believe public radio can, over the next decade, increase the weekly audience for *current* CPB-supported stations by about 35 percent.

Attaining this increase will require an average annual growth rate of about 3 percent. Part of this increase will be driven by population growth, particularly in the 35-to-55-year-old age group for which public radio has its strongest appeal. Part will come as stations achieve a share of overall radio listening, throughout the day, that matches the better hours of their current schedules. And part will come from a number of stations, including several in major markets, that have no "centerpiece" programs to anchor their service, and that are still in the early stages of their audience development.

None of this will happen automatically. Public radio will face increased competition for listeners' attention, both from other radio stations that will follow the aging "baby boom" into areas of public radio's traditional audience strength, and from the ongoing proliferation of electronic information and culture. Public radio growth requires continued investment in the effectiveness and productivity of its programming, facilities, and promotion.

EFFICIENT USE OF RESOURCES

About one fifth of public radio's resources is spent on national programming. The dollars are about equally divided between fees paid by stations and grants from CPB, foundations, and the business community.

This investment now realizes only a portion of its potential. The average public radio station devotes 45 percent of its schedule to nonlocal programming – some 3,400 hours per year. But producers are now generating over 30,000 hours of national programming. All but the most successful programs enjoy only limited carriage. Most national programming is carried by less than half the stations that have access to it, and much of that is scheduled in off-peak hours.

Station programmers note that only a limited number of the multitude of programs available are truly compelling. Some are quickly rejected on the basis of quality. Some are passed by because acquisition fees are out of reach.

Other programming is of clear quality and little or no cost, but still receives limited carriage because it is inconsistent with the programming mission or audience target of most stations currently participating in public radio's satellite distribution system. As stations have sharpened their purposes and focused their programming, more and more programs are rejected for this reason. Further, a large body of excellent programming is not aired in many communities for no other reason than that the supply of programming exceeds the capacity of stations to deliver it – by a dramatic margin.

We believe there are at least 100 noncommercial stations that do not now participate in public radio's satellite network, that do not repeat the signal of an interconnected stations, and that have an interest in making public radio's national programming available to their audiences. Many of these stations are targeted to serve listeners now at the margins of public radio's audience.

By bringing these stations into the public radio program marketplace, public radio can increase the efficiency of its shared programming investments, reach a significant number of new listeners, and spread national programming and interconnection costs over a larger base of stations. To the extent programming costs are paid by underwriting, the public service return for such investments would grow, and the investments themselves would be more attractive.

Similar efficiencies, on a smaller scale, are possible in other areas of national activity – research, training, and national representation – where there is an opportunity to apply relatively fixed costs to a broader universe of stations.

AUDIENCE DIVERSITY

Public radio reaches people in all parts of our society. Like all other stations on the radio dial, however, public radio has a special appeal for certain segments of the listening audience, while evoking almost no interest among others.

Audience research has repeatedly demonstrated that the principal factor separating public radio's listeners from nonlisteners is education. It is most certainly not just education itself that makes the difference. Rather, some combination of knowledge, shared experience and values, acculturation, and qualities of mind – all of which are associated with the pursuit of education – leads people to public radio's special mix of in-depth journalism, classical music, jazz, folk music, and other programming.

In American society, education is associated with many other factors, including occupation, income, race, age, and gender. As a consequence, public radio's audience, compared to the nation as a whole, is more likely to work in white-collar occupations, is more affluent, has a larger proportion of whites, has more 35-to-55-year-olds, and has slightly more men than women.

We believe public radio has the opportunity and the responsibility to reach more broadly into our society. This goal will not be realized through the expedient addition of scattered programs targeted for a variety of constituencies. Nor will it be accomplished by lowest common denominator programming that attempts to "broaden" the audience in some generic fashion. Instead, public radio must develop a disciplined and sophisticated strategy based upon an understanding of how listeners use the radio medium and a continuing commitment to excellent programming.

Most radio listening reflects the habitual use of a limited number of stations from which the listener expects a consistent, reliable service that meets his or her needs and interests. Most listeners do not seek out specific programs on stations to which they do not normally listen. Of the dozens of choices available in most communities, the average listener will tune in but three stations a week.

Conversely, when listeners confront programming not to their taste, they are quick to tune elsewhere. When they encounter such programming on a regular basis, they are likely to drop the station from their listening repertoire.

Public radio stations can work against this pattern, as many have done, but at the cost of limiting the number of listeners they might otherwise serve. We believe a strategy for audience diversity must be based on station diversity – different stations that serve different kinds of listeners in a consistent fashion.

Public radio has programs that, by themselves, appeal to groups outside the mainstream of the current public radio audience. But they are presented as part of an eclectic program mix. While some listeners tune in specifically for such programs, they are principally heard by those listeners to whom the eclectic mix itself is appealing – public radio's core audience.

By reorganizing currently available programming, both local and national, into coherent program streams with a consistent, reliable appeal to specific audiences, public radio will substantially strengthen its appeal to many groups now at the fringe of the audience. This does not mean doing the same thing all the time; it does mean doing things that appeal to the same kinds of people all the time.

This strategy of multiple service streams with consistent internal appeal is compatible with the marketing strategies of the broader American radio industry and akin to the segmentation of American higher education, in which so much of public radio has its roots.

To implement this strategy, public radio will require multiple stations in population centers throughout the nation.

Further, we believe a strategy for audience diversity will ultimately need to go beyond reordering current programming and provide for the development of major new programming that can anchor service for new audiences – much as *All Things Considered*, *Morning Edition*, and *A Prairie Home Companion* have defined so much of public radio's success to date.

Again, the effort must be disciplined and sophisticated. Public radio operates alongside more than 9,000 commercial stations that have most of the spectrum space, most of the money, and most of the listeners. Whatever public radio's aspirations and accomplishments, its role will be to fill a special niche within a larger broadcasting enterprise. The development of new programming in search of audience diversity must be based on clear and specific targets, must meet needs not addressed adequately by the commercial marketplace, and must be consistent with the broad mission and role of public radio.

Our pluralistic society offers many dimensions across which public radio might seek to diversify its audience. We believe the most compelling challenge in the coming decade is to respond to America's diversity of race and ethnicity, and that public radio can achieve a national audience that matches the racial balance of the nation.

CRITERIA

The goals outlined above can be translated to a number of criteria that were used to shape the Task Force's recommendations to increase the reach, quality, and diversity of public radio's public service for the American people. These criteria should serve, as well, to evaluate additional plans and recommendations that are certain to come forward after the Task Force's work is done.

- **Audience Service.** Encourages greater use of public radio – more listening by more people – and enhances the importance of public radio's programming to those who listen.

- **Funding.** Protects and strengthens public radio's financial support – from individuals and private and public organizations – through opportunities for greater and more efficient investments.

- **Technology.** Preserves and extends public radio's technical capacity through continued leadership in technical quality, innovation, and creative use of existing technology.

- **Regulation.** Fosters a statutory and regulatory environment that facilitates full technological and programmatic use of the radio medium for public service objectives.

- **Fairness.** Ensures an effective distribution of services to the general public and an appropriate allocation of funds and support among the many entities within the public radio enterprise.

- **Diversity.** Encourages public radio, as a whole, to reflect our multicultural society and to serve an audience that reflects the racial and ethnic composition of our population.

- **Significance.** Advances public radio's role as a significant institution in the political, cultural, and intellectual life of our nation and its communities.

III. RECOMMENDATIONS

We see, by the year 2000, a public radio system of nearly 600 stations that serves a weekly audience of 20 million listeners and takes a leadership role in American life. We recommend strengthening existing stations and programming, developing new streams of programming, extending participation in public radio's satellite network, helping additional stations qualify for CPB's support, expanding signal coverage, and new initiatives in training, research, and spectrum management.

As we look ahead to public radio's third decade, we see the opportunity to fulfill the early promise and to expand the initial vision of public radio's service to the nation – to build on the foundation of past successes, to preserve the momentum of growth, and to realize a strengthened and enlarged public radio system that is a truly significant resource for the American people.

We see a system of nearly 600 stations – major producing stations that serve both their own communities and the nation, scores of full-service stations that present a mix of local and national programming, operations on a smaller scale that extend the reach of the national networks, and dozens of repeater facilities that take public radio into outlying areas.

We see, by the year 2000, a public radio system that reaches an audience of 20 million people each week – by maintaining a superior service for current listeners, by introducing public radio to a new generation, and by reaching an audience that reflects our multicultural society.

Most important, we see a public radio system that has moved confidently from its origins at the periphery of American society to a position of leadership in the social, cultural, and informational life of our nation and its communities.

In this section we will review the strategic framework of our plan for public radio expansion, present 20 specific recommendations for national action, and discuss in further detail our proposals concerning CPB's station grant programs.

STRATEGIC FRAMEWORK

The Public Radio Expansion Task Force has shaped a broad strategy for the coming years that reflects public radio's public service ambitions and that provides continuity for existing efforts and the listeners who depend upon them. Moreover, our approach addresses the aspirations of those ready to pursue new initiatives and the needs of audiences public radio has yet to reach.

Protecting Current Resources. Any plan for expanded public radio service must first assure that we protect the accomplishments of the past twenty years. Our greatest resource for public radio's future is the system already in place: stations, producers, and a distribution network that have been supported with public funds and that constitute public radio's major national organizations; hundreds of professionals who staff these efforts with skill, creativity, and dedication; and thousands of individuals who support them with their time and contributions.

Under even the most dramatic expansion scenarios, the current system will account for the vast majority of public radio's service to listeners throughout the coming decade. Enthusiasm for new endeavors must not diminish the attention and support that are needed to sustain public radio's current efforts.

Strengthening Existing Service. The existing public radio system has not yet realized its full potential. We believe that continued investments in core programming and the system's extensive technical infrastructure, ongoing training and professional development, and regular research and evaluation of local and national programming will yield substantial returns in additional public service.

As the public radio system matures, responsibility for these investments increasingly falls upon the stations, which now control over 90 percent of public radio's combined federal and nonfederal funds. At the same time, additional public and private funds can help stations move from maintenance to growth, especially in such areas as start-ups for new national programming, major capital projects, curriculum development for training programs, and national audience research projects that fall outside the interests of a specific network or producer.

Developing New Initiatives. A number of initiatives that reach beyond existing stations and programming will accelerate public radio's growth in audience service. The Task Force recommends a major investment in new programming to increase the diversity of public radio's audience, an expanded satellite interconnection system to extend the reach of national efforts, and new mechanisms to support stations that face special challenges in serving minority communities. We recommend continuing efforts to increase the population that can receive a public radio signal. We propose that CPB restructure its annual station support, helping some stations upgrade to full-service operations and supporting program acquisition for other stations that will continue to operate on a smaller scale.

Changing Our View of the System. Beyond these changes in programming, hardware, and funding, public radio must change its own self-perception. We envision a public radio system that is no longer defined solely in terms of those who garner a specific grant from CPB, or that affiliate with a particular organization; that is instead shaped as much or more by a shared mission of public service and participation in the rich and expanding marketplace of quality programming.

Public radio can expand its public service partnership to embrace a wider universe of stations, producers, and supporters. It can incorporate new models for delivery of programming and new models for the programming itself.

Focusing on the Audience. The unifying theme to all these points is the focus on public radio's capacity to serve its audience. The Task Force has moved from a tally of new stations and a compilation of coverage to a plan that best brings public radio programming into the lives of as many Americans as possible.

THE TASK FORCE RECOMMENDATIONS

The Public Radio Expansion Task Force encourages a broad-based effort by public radio stations, their national organizations, and those who support them to implement the following recommendations.

Programming

☐ Strengthen existing and develop new programming that is central to public radio's current appeal through ongoing research, evaluation, and refinement, and with such additional investments in production and acquisition as are needed to better serve public radio's current listeners and those like them.

☐ Develop one or more new, economically viable programming streams that can attract a substantial audience and that will increase public radio's audience diversity through stronger, more consistent service to listeners now at the periphery of the audience.

☐ Continue financial support for innovative efforts to increase local audiences, including the development and application of audience research, creative promotion and outreach strategies, and experimentation with formats, scheduling, and presentation.

Funding

☐ Develop a "step up" program through which stations may initially qualify for limited support from the Corporation for Public Broadcasting under a reduced version of the criteria employed for Community Service Grants, CPB's basic annual station grants. Require such stations to upgrade to prevailing qualification levels to retain support.

☐ Provide funds for acquisition of national programming to stations that meet the service requirements for the Corporation for Public Broadcasting's Community Service Grant (*e.g.*, full-time operation, programming for the general public, nonduplication of other CPB-supported stations), that use the public radio satellite interconnection system, but that do not have the staff, budget, or facilities to qualify for regular grant support.

☐ Develop a mechanism, financed by a combination of public radio funds and funds from other sources, to provide ongoing financial support to minority controlled stations that meet the service requirements for the Corporation for Public Broadcasting's Community Service Grant (*e.g.*, full-time operation, programming for the general public, nonduplication of other CPB-supported stations) but do not have the staff, budget, or facilities to qualify for regular grant support.

☐ Encourage NTIA's Public Telecommunications Facilities Program to make greater use of its option for planning grants with respect to system expansion.

Interconnection

☐ Extend participation in the public radio satellite interconnection system by providing funding of additional downlinks through NTIA's Public Telecommunications Facilities Program. NTIA should give more emphasis to "downlink only" projects. The target for this effort is some 100 college and community stations that have a commitment to public service programming, an interest in public radio's national programming, and sufficient professional staff and resources to integrate such programming into their local schedules.

☐ Examine the overall financing plan for operation of public radio's satellite-interconnection system, with particular attention to changes in fees and policies that would encourage the widest and most efficient use of the system by public radio broadcasters.

Extension of Signal and Service

☐ Provide technical assistance and planning support to individual stations in the design, funding, and implementation of projects that will extend public radio signals to unserved areas. While some projects will lead to new, full-service stations, most new "first service" will be accomplished by extending existing signals through repeaters and translators. Such support should encourage "Rocky Mountain Alternative Stations" (which combine unattended rebroadcast operations with local origination), the development of "local access translators," and other flexible and innovative service solutions.

☐ Identify communities that are likely to support one or more new public radio services, including:

- Communities with no CPB-supported station that might support one;
- Communities with no public radio service that might sustain the importation of a signal via repeaters or translators;
- Communities in which an existing CPB-supported station might be complemented by an additional outlet; and
- Communities in which a minority-oriented station would be especially appropriate and feasible.

Such a plan should be based on realistic projections of audience service and financial support, and developed in consultation with existing stations.

Personnel Development

☐ Strengthen and maintain ongoing training programs for public radio's professional staff, targeting such training on priority areas identified through periodic system-wide studies. Such training should address all skill levels, sharpening the skills of top-line staff and providing an upward career path within public radio for newer employees.

☐ Develop new training initiatives to address special needs associated with accelerated growth and diversification of the system. New and upgraded stations will bring with them talented, enthusiastic, but largely inexperienced and untrained public broadcasters. Achieving greater audience diversity may require different approaches and skills from those employed in public radio's current service. Enhanced service for minority listeners will require efforts to recruit and train minority personnel.

Audience and Technical Research

☐ Develop audience research to identify alternative service niches for public radio, especially in larger markets, and to identify the broad outlines of a service strategy to fill such niches.

☐ Provide periodic research assessments of public radio's audience(s). As the public radio system expands and diversifies, such research must cut across networks and formats to provide a true overview. It must highlight specific sub-groups of stations to track the success of increased audience targeting.

☐ Convene a working group of system engineers to identify, develop, evaluate, and implement testing of new or alternative modes of mass delivery of digital programming.

Regulation

☐ Encourage the Federal Communications Commission and other parties to protect and enhance the spectrum available for public radio stations serving the general public and to encourage the most efficient use of such spectrum.

☐ Develop a proposal for the Federal Communications Commission to initiate a proceeding in which it would explore reassignment of frequencies in a selected list of major markets in which there is especially inefficient use of the noncommercial spectrum and a shortage of full service facilities.

Outreach

☐ Aggressively publicize public radio's shared plans for additional service – including key expansion strategies, audience targets, cost requirements, and realistic timelines. Give special attention to organizations and individuals outside public radio that have, or might be encouraged to develop, an interest in support of public radio expansion efforts – foundations, media advocacy groups, political figures, etc.

Follow-Up

☐ Establish an independent, ongoing working group to monitor and coordinate the system's progress toward expansion goals. This group should be jointly-convened by public radio's national organizations and should include system representatives.

CPB STATION SUPPORT

The Corporation for Public Broadcasting's two principal station grant programs, Community Service Grants and National Program Production and Acquisition Grants (NPPAGs), were the focus of many of the proposals we considered. Because CPB's station support is so important – both to the stations that now receive it and those who seek it – we will discuss our recommendations in this area in further detail.

Both CSGs and NPPAGs require a station to provide a certain minimum level of service, measured by budget, staff, signal strength, hours of operation, studio capacity, and a number of other criteria. The size of a station's grant is based on a match of its nonfederal financial support.

The approach embodied in the CSG and NPPAG programs has served public radio well. It has provided an incentive for over 300 stations to achieve basic professional standards and assured that CPB's funds are invested in responsible operations. It has provided a reward and continuing partnership for those stations that have moved well beyond these levels.

Although CPB's station support has slowly declined as a share of public radio's total income, these funds continue to play a critical role in most stations' overall financial plans. Because CSGs and NPPAGs are so vitally important to the stations that receive them, many of these stations are reluctant to enlarge the number of beneficiaries without a corresponding increase in the funds available.

Conversely, a number of stations that do not qualify for CSG and NPPAG support, and some that do, urged the Task Force to recommend revisions in the grant policies that would recognize the public service such stations provide.

Maintaining Grant Criteria. The Task Force received several proposals to lower the criteria for CSGs and NPPAGs – across-the-board, for particular kinds of stations or markets, or for stations that would form a "lower tier" of service. We declined to adopt these proposals. Most members felt strongly that it is important to preserve the minimum professional standards reflected in the current grant criteria.

Instead of lowering current CSG and NPPAG criteria, we designed a two-track effort that will help some stations meet the operational levels needed to qualify for the grants and provide limited assistance to others that operate on a smaller scale.

The step-up program we are recommending is a variation on an approach that CPB has used a number of times in the past – providing support to stations in early stages of development on the condition that they make progress toward full-service standards. A majority of the current CPB-supported stations first received funding from CPB when their operations were below the current minimum criteria.

Support for Other Stations. The Task Force identified a number of stations that provide a public service for their communities, but that are unlikely to seek support from the CSG or NPPAG programs under the current criteria. We believe there are several ways in which public radio can respond, outside the major grant programs, to the efforts and aspirations of these stations.

Our principal objective for these stations is to connect them to public radio's national programming, providing the benefit of millions of dollars worth of programming that can be made available to them at little or no cost.

The first step is to help these stations participate in the public radio satellite system, and we recommend support for one-time capital costs. The second step is to assure that, once interconnected, the stations are able to participate in the evolving programming marketplace. To this end, we recommend limited assistance with program acquisition costs, on an ongoing basis, for interconnected stations that are not otherwise supported by CPB and that meet CPB's general public service requirements.

The effectiveness of these recommendations will depend, in part, on the fees these stations encounter as they seek national programming. Since the marginal costs of an additional station participating in the satellite system or carrying a given program are limited, we hope that it will be possible to develop accommodating pricing policies for both interconnection and programming.

We have recommended an overall review of interconnection system pricing, with an eye to encouraging maximum use. We also encourage APR, NPR, and other producers and distributors, to continue their efforts to craft pricing structures that accommodate these stations' needs and fiscal abilities.

Of the stations that do not receive CSG or NPPAG support, we believe minority controlled stations face an especially difficult situation. There are approximately 35 such stations. Many of these stations provide a programming service under conditions not generally shared by the rest of the system. Most significant, these stations find only a limited amount of public radio's national programming relevant to their mission and audiences. We recommend that these stations receive a special general operating grant.

Financial Impact. Following the adoption of these station support recommendations in principle, we examined detailed cost projections associated with each proposal.

We did not recommend a specific source of funds for the CSG step-up program, special program grants, and minority station grants. Under current funding circumstances, however, it is likely that such efforts would be funded, at least in part, from the CSG and NPPAG pools. The statutory formula that governs CPB's use of its federal appropriation and its interest income leaves few dollars available for discretionary purposes. Use of those discretionary dollars as the principal funding source for radio expansion would require the sacrifice of other programs.

If *all* of the station support recommendations were funded from CSG and NPPAG dollars, the result would be a reduction of about 2.2 percent in the FY 1991 grants that currently-supported stations would otherwise receive.

This figure would rise in subsequent years, as the number of stations receiving regular CSG and NPPAG grants would grow at a faster rate with the help of these programs. Even so, if CPB's funds for CSGs and NPPAGs rise only at a cost-of-living rate, and if all our station support recommendations are funded with CSG and NPPAG dollars, we estimate that in FY 1995 less than 5 percent of CPB's station support funds would be diverted as a result of the special expansion effort.

The same statutory formula that would lead CPB to finance expansion out of CSGs and NPPAGs also assures that any increase in CPB's federal support beyond inflation would directly offset these costs. The formula channels 93 percent of radio's share of the appropriation directly to CSGs and NPPAGs.

For several years, in part because there are initially only limited funds to fuel the expansion effort, we believe currently-supported stations will perceive little payoff from this investment. Over the long term, however, these stations will derive important programming and financial benefits.

The growing number of stations in the public radio programming marketplace will make it feasible to sustain new programming initiatives. This will be especially true for material that is currently outside the mainstream of public radio programming, but which may be of interest to stations entering the system.

When there are multiple stations in a community, there is less pressure for any one station to cover all the needs unaddressed by commercial outlets. As a result, stations can bring more focus and definition to their service, an approach which pays dividends in audience response and financial support.

All stations will realize greater economies of scale as fixed costs for interconnection, representation, research, training, and other activities are shared by a larger number of stations. And as the newer stations mature, they will bring more listeners and dollars to the collective public radio effort, making national underwriting more attractive and bringing more resources to shared investments.

Finally, a growing system, working toward service to more parts of the country, and toward an audience that better reflects the diversity of America, will have a stronger case as it seeks a renewed and strengthened investment of federal funds.

IV. COSTS

Some of our recommendations can be implemented at little cost. Others could be initiated with modest diversions of existing funds. But if the continued growth of the current system is to be protected, the broad vision of a larger, more diverse public radio service will be realized only with new resource commitments from America's public and private sectors.

While the Task Force considered the prospects for public radio's growth throughout the coming decade, we decided that a five-year period provided a more realistic horizon for cost projections at this time.

Station Support Grants. The Task Force reviewed detailed, year-by-year models of the various station support programs it is recommending, including possible eligibility criteria, grant amounts, and projections of participating stations. Our cost estimates are derived from these models, but are presented here as more generalized totals. This approach recognizes that actual expenditures will be influenced by a combination of local initiative and a variety of grant policies that are the appropriate responsibility of CPB.

The various station support programs we have recommended require $11.2 million in national funds.[1] Of this total, $8.5 million is associated with stations' accelerated entry into CPB's grant programs through the recommended step-up effort. The majority of this cost is attributable to additional Community Service Grants and National Program Production and Acquisition Grants these stations will receive once they are qualified for regular support. We estimate that 55 stations will move through the step-up program during this period.

Program acquisition support for interconnected stations outside the regular CPB grants programs requires approximately $.5 million over five years, with such support eventually reaching 30 stations. Additional support recommended for minority stations requires another $2.2 million for the 30 stations we estimate will claim such funds.

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[1] All cost estimates assume an annual inflation rate of 5 percent through the five year period.

Research, Training, and System Support. New initiatives in research, training, and other support activities require some $3.6 million from FY 1991 through FY 1995. About one-third of these costs are for one-time activities, such as the identification of alternative service niches for public radio, curriculum development for new training projects, and technical research on digital audio delivery. The remainder is for ongoing research, training, and consulting activities connected with expansion.

It is important to stress that this cost estimate, like the others presented here, embraces only those activities directly linked to new services and new stations. Current commitments to research, training, and other aspects of system development must be maintained to preserve the momentum and strengthen the services of the existing system.

Interconnection. About $1.6 million will be required in matching grants to help additional stations participate in public radio's interconnection system. This will provide up to 75 percent of the construction costs for 80 stations.

New Programming. The largest expense (but also the most difficult to estimate with precision) is the development of one or more new programming streams designed to increase public radio's audience diversity. Beginning with $2 million in seed money in FY 1991 and rising to $15 million by FY 1995, this undertaking will require a total of $46.5 million over the five-year period.

To put this estimate in perspective, all of NPR's news and information programming costs about $20 million per year. Garrison Keillor's 90-minute weekly variety program for APR costs about $2.5 million. Daily half-hour programs like APR's *Marketplace* and NPR's *Fresh Air* cost about $1.5 million.

Construction Costs for Extension of Signal. We did not estimate the construction costs for new stations and upgrades of existing stations to extend public radio's signal to unserved areas. Such projects already receive the highest priority for funding at NTIA's facilities program and total dollars available for the program are adequate to address this need.

Finding the Dollars. We did not develop a plan for financing these costs – or the additional resources needed to strengthen existing programming, audience building, research, and training activities. That effort, we believe, must be part of a broader financing plan for public radio over the coming decade.

It is quite clear, however, that implementation of this expansion plan will require substantial resources beyond those now available to public radio. The national investments outlined here would represent about one-fifth of the Corporation for Public Broadcasting's total support for public radio over the five-year period, assuming funding at current levels.

V. BUILDING CONSENSUS

Successful expansion of public radio's service depends upon the support and cooperation of the entire public radio system.

A Representative Group. The first step in enlisting support for the Task Force's recommendations was to assure that the Task Force itself was as representative as possible within the limits of a manageable and affordable working group. While Task Force members participated as individuals, each was selected for the variety of interests, experiences, and affiliations he or she could contribute to the inquiry.

One or more Task Force members brought to the group their personal experience with university, community, and state licensees; minority stations; stations in major markets, mid-sized cities, and rural areas (including Alaska); stations with budgets from under $100,000 to more than $1,000,000; and stations that do and do not receive regular CPB support. The Task Force included representatives of public radio's two principal funders, CPB and PTFP; representatives of four station-oriented national organizations (APR, NFCB, NPR and SRG); and members of most of public radio's regional organizations.

Members of the Task Force have worked as producers at both the local and national level, at stations and as independents. They have worked with program formats including national and local news, classical music, jazz, folk, drama, talk shows, various ethnic music, bluegrass and other genres.

A Participatory Process. The Task Force was strongly committed to work directly with the public radio system throughout the study. We secured a place on the agenda of every state, regional, and national meeting of public radio stations for a six month period. Preliminary recommendations were mailed to every CPB-supported station and to many other stations with an interest in the expansion effort. Eastern Public Radio sponsored a national call-in over the satellite system. We surveyed all the noncommercial stations in the country to ascertain their current levels of operations.

Meetings were open and well publicized, and were attended by many interested parties. We encouraged stations and others to communicate with the Task Force throughout the process, and many did so – in letters, phone calls, and personal appearances at Task Force meetings.

A Continuing Effort. We have placed this discussion of our approach at the conclusion of our report because we believe a similar effort will be needed to guide the implementation of our recommendations in the months and years ahead. In the highly decentralized American system of public broadcasting, our plan for expansion of public radio's service requires the support and participation of hundreds of entities at the national, state, and local level.

Each of public radio's national organizations must determine how it will respond to our recommendations for funding, program development, policy initiatives, training, research, and other activities to support stations' efforts.

State public broadcasting authorities and state-wide networks must consider how to strengthen the services they now support while looking to those parts of their states in which public radio is still unavailable. And the hundreds of universities, colleges, community organizations, school districts, and others that hold public radio's licenses, raise most of its funds, and shape its daily service must gauge their ability to meet the challenges we have presented.

The discussion of expansion must ultimately move beyond the public radio system to enlist the support of those who can provide the resources needed to realize our goals – members of Congress and state legislatures, the business community, the leadership of social and cultural institutions, and the philanthropic community.

We recognize that the appropriate scope and most effective paths for public radio's growth are matters for continuing debate. We hope our analysis and recommendations will inform that debate, and guide it toward the most critical issues.

We believe the promise of public radio remains as fresh and compelling today as it was twenty years ago, and that the larger vision of service we have mapped in this report is broadly shared.

STATEMENT OF TOM LIVINGSTON

[Clerk's Note.—Subsequent to the hearing the subcommittee has received a statement from Tom Livingston, the general manager of WETA-FM, with regard to the public telecommunications facilities program. By direction of the chairman the statement has been printed in the record.]

[The statement follows:]

Statement of Tom Livingston, General Manager, WETA-FM

Mr. Chairman and members of the Subcommittee, my name is Tom Livingston, and it is an honor to appear before you today in support of appropriations for the Public Telecommunications Facilities Program (PTFP). This year we celebrate the twentieth anniversary of both National Public Radio (NPR) and WETA-FM here in the Washington area. I serve as General Manager of WETA-FM and as a member of the NPR Board of Directors.

As you know, the PTFP program provides matching grants to help public radio and television licensees extend their signals, purchase equipment to put new stations on the air, and replace aging, obsolete equipment. The Public Telecommunications Facilities Program's investment of approximately $364 million since its inception in 1963 has made it a key factor in building this country's public broadcasting system.

NPR represents 384 public radio stations, many of them built with the help of PTFP funding. WETA-FM, which serves approximately 350,000 people each week in the greater Washington area, is one such station. It was originally built with the support of a facilities grant from the PTFP's predecessor program in the Department of Health, Education, and Welfare.

Although I had nothing to do with the grant that helped start WETA-FM twenty years ago, since 1984 I have been directly involved in four other PTFP-funded projects in which a total of $650,000 in support from the program directly leveraged more than twice that amount in private support. These projects have brought public radio service to nearly two million previously unserved Americans.

In May 1984, I became the first employee of what would become KDAQ-FM in Shreveport, Louisiana. A $200,000 PTFP grant generated an additional $300,000 in private support from the community. When the station began broadcasting at the end of that year, it brought public radio service to nearly 900,000 people who had been unable to receive any signal prior to that time.

In the 1985 round we received a grant of $180,000 to fund KLSA-FM in Alexandria, which would bring public radio to nearly 600,000 residents of Central Louisiana. The PTFP grant leveraged $150,000 in private contributions from Alexandria's population of one hundred and twenty thousand.

In 1986, we received a $90,000 grant which leveraged an additional $55,000 in local support from residents of El Dorado, Arkansas, a town of 25,000 residents in the southern part of the state. KBSA-FM now serves 120,000 residents of that area.

Finally, in 1989, after I came to Washington's WETA-FM, I consulted on a $180,000 project that has already generated $150,000 in local support and will bring first public radio service to approximately 200,000 residents of the Lufkin-Nacodoches area of East Texas.

Together these four stations, which operate as an interconnected, interactive network, serve a part of the country which does not have the population characteristics under which public radio generally thrives. In addition, even as the stations were being built the area was slipping into a severe recession caused by the drop in oil prices. The fact that this service has actually grown in a time and part of the country where private and public activities alike are struggling just to survive is a testament to the importance of public radio to its listeners. The service itself operates without any public funding other than the Corporation for Public Broadcasting's Community Service and National Programming grants.

The economic conditions in the area make it doubtful that any of the projects, except perhaps the original one in Shreveport, would ever have been built without the leverage of PTFP grants. This is true even in more financially stable areas, demonstrating the importance of PTFP's leverage for all types of public radio projects. In fiscal year 1989, the average public radio grant of $94,324 represented 67 percent of the cost of the average project funded. The role of such seed money cannot be overestimated in public radio's fundraising scheme.

There is still work to be done to extend public radio service to all Americans. NTIA's recent study of public broadcasting coverage indicates that while 95 percent of the American people can now receive a public television signal, public radio's reach is limited to 86 percent of the population. In addition to much of the mountainous western portions of the country, large areas of Arkansas, west Texas, and much of western Pennsylvania remain unserved. We must expand our services to as much as practical of that remaining 14 percent.

During the past year I served as a member of the Public Radio Expansion Task Force, convened under the auspices of the Carnegie Corporation and CPB and made up of seven public radio station managers and representatives from six national organizations associated with public radio. Among the things we studied was extending public radio signals to unserved areas, and it is the Task Force's belief that by the year 2000 public radio can be made available to 95 percent of the American people. The continuation of the Public Telecommunications Facilities Program is essential to our ability to achieve this goal.

This is readily demonstrated by looking at the role of PTFP funds in the kind of innovative signal extension used in northern Louisiana. Other examples can be found in a project currently underway in Nebraska with the help of PTFP which will bring public radio service to virtually all residents of the state by the summer of 1991, and in Kentucky, where station WKYU-FM in Bowling Green received a grant to build a repeater station that will serve almost 91,000 currently unserved residents of Elizabethtown, Kentucky.

Beyond the extension of first service, the Task Force has set a goal of extending public radio to audiences whose needs are not being met by the offerings of existing stations. This can be accomplished by upgrading existing stations and building new stations that can be outlets for new national programming created for African Americans, Hispanics, American Indians, and others. For example, the community of Tuba City, Arizona will soon have a new public radio station with the help of a PTFP grant. The station will provide a first public radio service to approximately 31,595 residents of the Western Navajo Agency and will program in both the Navajo and Hopi languages as well as in English.

The role of the PTFP in meeting this goal is critical. In these minority communities money for the local match is scarce, and fundraising will be difficult even with PTFP. Without such funding, measurable progress is unlikely.

As public radio enters its third decade, another crucial area where PTFP assistance is needed is the upgrading and replacement of equipment. Many public radio stations are licensed to state universities that either prohibit the accumulation of capital funds or operate under year-end removals of any operating fund balances.

For many more stations, the cost of the technology is simply more than a budget built on listener contributions can bear. Just last year, WETA television was forced to replace its aging and unreliable transmitter at a project cost of $1.3 million, of which $526,933 came from a PTFP grant. A special capital campaign for the replacement raised less than one-half of the amount needed for the match, and the rest had to come out of operating funds. This was difficult, but there was no question that the transmitter had to be replaced. If PTFP funds were not available, we would have been forced to make up the difference with even more operating funds. Even for WETA, one of the most stable public broadcasting organizations in the country, a project of that magnitude would have significantly reduced our ability to serve our community.

While equipment replacement costs are considerably lower for public radio stations, the size of the organizations and their ability to pay for such replacement is reduced in equal measure. Without access to PTFP funds, public radio's ability to serve the people of this nation would rapidly erode, as the alternatives—going into debt or cutting budgets without room to do so—limits either the current or future ability of our stations to meet the needs of our communities.

The administration has once again proposed to discontinue the PTFP; however, the continuing imbalance between available funds and grant requests demonstrates the ongoing need for the program. In fiscal year 1989, there were 276 applications for PTFP funds totaling $55.9 million. One hundred and thirty-seven grants were awarded, totaling $21.2 million. I strongly urge this subcommittee to appropriate the full $42 million authorized for PTFP in fiscal year 1991.

Mr. Chairman, I have had considerable direct experience with both the importance of public radio to the people of this country and the importance of the PTFP in making it possible. From places like El Dorado, Arkansas, where access to the kind of cultural and news programming offered by NPR and local public radio stations may be limited, to Washington, D.C., where it is plentiful, public radio is filling a vital need for millions of Americans. I hope that you and the members of the subcommittee will help us continue to meet that need by fully funding the Public Telecommunications Facilities Program.

ADDITIONAL COMMITTEE QUESTIONS

Thank you very much, Mr. Secretary. We appreciate your appearance here today. I have some written questions for the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

NIST External Research

Mr. Secretary, the Administration did a good job with the internal programs of the National Institute of Standards and Technology. I wish I could say the same for the external programs. The Budget proposes to cut the regional centers for the transfer of manufacturing technology by 3 positions and $2,500,000; hold the advanced technology program at $10,000,000; and eliminate the $1,300,000 we appropriated last year for the state extension services program.

Two years ago we were all steamed up on making America competitive again, but the Administration only requests $15 million for the main Government programs to promote industrial technology; NIST's entire budget remains only 0.3 percent of the President's $71 billion research request for FY 1991. On Monday, you and I visited the Southeast Manufacturing Technology Center at the University of South Carolina, so I know you want to keep the momentum going.

QUESTION:

How much do you really need for the centers, ATP, and the Extension Services?

ANSWER:

The total needed for the MTC's for FY 1990 and FY 1991 is $25.2 million. We will find $7 million within the President's FY 1991 request to implement this plan.

FY 1990		
Continue 3 Centers @ $3M.........	$9.0M	
1 New Center @ $1.5M............	1.5	
Admin/Tech. Support.............	0.6	
Subtotal...........................		$11.1
FY 1991		
Continue 4 Centers @ $3M.........	$12.0M	
1 New Center @ $1.5M............	1.5	
Admin/Tech. Support.............	0.6	
Subtotal...........................		14.1
Total..............................		25.2

The ATP program is funded at $10 million in FY 1990 and will continue at the same level in FY 1991. As far as the extension services, $1.3 million is all that is necessary in FY 1990.

QUESTION:

Last year's Senate Appropriations Report states explicitly that $7.5 million is appropriated in FY 1990 for the Manufacturing Technology Centers, that $3.0 million of that money is to be committed to the existing three centers, and that the remaining $4.5 million is to be used to start new centers. Despite this clear guidance, the Department has taken no steps so far to start new centers. Does the Department intend to comply with these provisions? If so, how many new centers will you start this fiscal year, when will you announce the competition and exactly when will you make the awards?

ANSWER:

The Department is completing a draft description of a program for establishing additional centers, with selection and evaluation criteria which reflect our experience with the first three centers. We expect this description to be published shortly in the Federal Register, and following a public comment period, to publish a final description and request for proposals. We have asked the National Research Council to assist us when we do engage in a review. It will be possible to complete these steps and make awards for new centers by the end of this calendar year. We expect to start one new center in FY 1990.

QUESTION:

As you know, the FY 1990 Appropriations Act provides $10 million to start the NIST Advanced Technology Program (ATP). The President's FY 1991 budget request formally endorses the program, yet the attorneys and administrators are apparently holding up the regulations. While they look for a way to make a career out of this, the Japanese relentlessly move on. Can you assure us today that the FY 1990 money will indeed be obligated by the end of the fiscal year, as we intended?

ANSWER:

We intend to obligate grants by the end of the fiscal year.

QUESTION:

What is your schedule for ensuring that ATP proposals are requested soon, that reviews are completed in a timely way, and that funds are indeed obligated by the end of September?

ANSWER:

As required by the statute and the legislative history, the selection criteria must be published in the Federal Register, first for comment, and then in final form, prior to accepting any proposals under ATP. We will then publish an announcement and conduct a competitive selection process. We expect to obligate the entire $10 million in FY 1990.

QUESTION:

The 1988 Trade Act clearly assigns the Manufacturing Technology Centers, the ATP, and the Small State Technology Extension Program to NIST. Why, therefore, did you sign a Departmental Reorganization Order in January which gives a role in supervising these programs to the Assistant Secretary for Technology Policy--a person whose statutory mission is limited to policy analysis and who is not authorized to run or supervise NIST's operational programs?

ANSWER:

Section 3 of the Secretary's order instructs the Assistant Secretary for Technology Policy to work closely with all Commerce components to improve the quality of their technology programs and to ensure that those programs are consistent with Administration policies. It placed special emphasis on these particular programs for three reasons.

- First, the Assistant Secretary is well positioned to provide valuable guidance and advice to NIST to ensure that these important new programs are managed in a way that is consistent with Administration policy and philosophy.
- Second, some of these activities, such as the Boehlert/Rockefeller Program, serve ends that are similar to those of programs managed out of the Assistant Secretary's office, such as the Clearinghouse and the Federal Technology Transfer Program. We want to make sure there is consistency among these technology transfer activities.
- Third, the Department wanted to send a clear message that the components of the new Technology Administration work as a team, helping each other where they can but respecting each component's expertise.

QUESTION:

When will the President nominate a person to fill the post of Under Secretary for Technology? Why has this important position remained vacant for so long?

ANSWER:

The President has selected Dr. Robert White for the position of Under Secretary for Technology and has recently forwarded his nomination to Congress for confirmation. The position has remained vacant because of the difficulty in finding an available individual with the credentials that we felt were necessary for the position.

INTERNATIONAL TRADE ADMINISTRATION

Uruguay Round/Dumping

QUESTION:

Negotiations in Geneva are continuing toward an end of year deadline for the "Uruguay Round" of Multilateral Trade Negotiations. Among the 15 negotiating groups, the MTN Agreements Groups is focusing on the GATT anti-dumping code.

I understand that the U.S. has put proposals on the table in Geneva that would strengthen the international rules on unfair trade practices such as foreigners dumping goods in our market and foreign governments subsidizing products that are shipped here from overseas. I urge you and Assistant Secretary Garfinkel, who is a key U.S. participant in this negotiation, to maintain this position and not agree to any trade-offs that would lead to weakening any aspect of our trade laws.

Mr. Secretary, many of our trading partners (Korea, Japan Hong Kong, etc.) are proposing changes in the Antidumping Code which would weaken U.S. dumping law, if implemented. As a matter of fact, a few U.S. multinationals have also proposed weakening changes in the U.S. dumping law. What is the Administration's position on proposals offered by foreign governments which would result in a weaker U.S. dumping statute?

ANSWER:

Our goal in these negotiations is to strengthen the international rules on dumping, as evidenced by the proposal we put forward on anticircumvention, recurrent injurious dumping, repeat dumping, and transparency.

At this time, we are actively working to generate support for our proposal in both the formal negotiating group and in numerous bilateral consultations with other interested delegations.

QUESTION:

I note that the U.S. Proposal to the MTN Agreements Group would tend to strengthen the Code in the areas of circumvention of existing dumping orders and for repeat offenders. Is there support for this proposal among other GATT members?

ANSWER:

Many of our negotiating partners have agreed in principle that circumvention is a problem and seem willing to address it in these negotiations. They have not been as receptive, however, to our arguments on the other practices that we would like to see deterred, such as input dumping and repeat dumping.

Despite this, we have emphasized that all of our issues need to be dealt with in order for there to be any agreement that is satisfactory to the United States.

Subsidies

QUESTION:

Mr. Secretary, will the Administration oppose any proposal on subsidies enforcement which leaves our countervailing duty actions open to reversal by multinational tribunal?

ANSWER:

The United States would not oppose any proposal on subsidies enforcement which leaves our countervailing duty action open to review by a multinational tribunal as this is the status quo. Our countervailing duty actions are already subject to review by a multinational tribunal when we violate the rules of the GATT or the Subsidies Code.

A major U.S. objective in these negotiations is to create greater discipline over the use of subsidies, especially so-called "domestic subsidies." Implicit in achieving such discipline will be an internationally acceptable definition of what constitutes a subsidy. If we can reach agreement on a definition, that definition will also delineate the practices against which the U.S. can impose countervailing duties. Thus, if we were to apply countervailing duties against practices which are not internationally recognized as subsidies, our action could be challenged in the GATT and subject to GATT review, just as we would reserve the right to challenge foreign governments' use of countervailing duties against our exports.

Section 301 (Super 301)

QUESTION:

In order to get agreements in the areas of services, agriculture and investment, some observers are saying that the U.S. will have to agree to changes which prevent unilateral action under Section 301. Will the U.S. agree to this in Geneva?

ANSWER:

The U.S. will not agree to abolish Section 301 of the Trade Act in order to get Uruguay Round agreements in the areas of Services, Agriculture and Investment. Section 301 has already been amended to require the USG to pursue GATT dispute settlement where appropriate. However, if the Uruguay Round negotiations successfully expand GATT disciplines and result in a strong and effective dispute settlement mechanism, we will be more confident about resolving disputes in the GATT and will be less likely to use the retaliation provisions of Section 301.

Overall

QUESTION:

In order to reach agreement with the developing countries in your top priority areas: agriculture, services, intellectual property, investment, etc., the U.S. will have to give up something. What is the Administration prepared to sacrifice?

ANSWER:

We are not prepared to make "sacrifices" in these negotiations. We can expect to make trade-offs on particular issues, but this is the nature of negotiating. We have particularly critical interests in some areas while the developing countries' critical interests are in others. We may trade-off something of interest to them to receive something of interest to us.

Agreement on each area of the negotiations is in the interest of all participants. Agreement in each negotiating group means a healthier, more credible multilateral trading system. For this reason, we do not speak of "sacrifices," but do seek a comprehensive Uruguay Round package.

QUESTION:

This Administration has made the Uruguay Round its trade policy. Do you have the will to walk away from the table if we don't get good agreements?

ANSWER:

We plan to get good agreements in a comprehensive Uruguay Round package, and we will not settle for less. It will not be easy and a crisis atmosphere may at times develop, but ultimately we think all countries recognize the need for good agreements and desire the same.

However, as Ambassador Hills has said, we are prepared to walk away from the table if we don't get good agreements.

Europe

QUESTION:

We are more than halfway through the EC 92 integration process. What problems do you see so far for American exporters?

ANSWER:

First, we believe that the EC 92 integration process, when implemented in an open manner as the European Community (EC) has proposed, should result in opportunities for U.S. business, whether based in Europe or in the United States. A single EC market will be bigger and richer than the fragmented parts we deal with today. Generally speaking most of the EC program creates opportunities for U.S. business.

However, we do see problems. Some recent EC laws have the effect of discriminating against U.S. business. We are particularly concerned that the European Community has adopted some directives that require or compel local content or more European investment, such as broadcast and procurement for telecommunications and some other industries. We are working to protect our interests in these instances.

We are also concerned that no matter how open the EC laws are, U.S. industry based in the United States may be disadvantaged in a commercial sense by the rapid changes in Europe. Let me explain two obvious ways.

- As EC 1992 proceeds, European business increasingly will be looking for suppliers that demonstrate a commitment to the EC market with European product designs, marketing strategies, and after-market services. The EC 1992 market development increases this "European" identity. While not discriminatory, this places U.S. producers at a disadvantage unless they have the resources, expertise, information and dedication to respond to this challenge.

- Another obvious disadvantage, is that in a borderless Europe, freedom of movement bestows definite advantages on "Europeans" in commercial areas like inventory management. For example, sales from Sweden or Israel (non-EC) and EC countries are no longer subject to as many customs formalities due to tariff free status. This translates into less delays at the border which most buyers value as highly as low prices and product quality. U.S. exporters must work much harder to cope with these commercial realities.

The Department is working very hard on initiatives that will allow small- and medium-sized business in Europe to take advantage of all the opportunities.

QUESTION:

If we are going to get this trade deficit down below $100 billion operating under a free trade policy, we are going to have to export more. What export opportunities do you see for U.S. companies in Eastern Europe?

ANSWER:

The countries of this region badly need modern industrial equipment, technology and western expertise in marketing and management. Some of the best prospects in Eastern Europe for U.S. companies include food processing and packaging equipment, tourism, production of pharmaceutical and medical equipment, telecommunications, computers, environmental protection and pollution control technologies, construction materials, and a wide range of manufacturing areas.

This region provides many opportunities for U.S. companies to get involved in providing capital, know-how, machinery and many other needed goods and services.

Telecommunications is one major area that U.S. companies are particularly interested in because of the inadequate and antiquated systems in the region. We are working closely with U.S. companies to assist them in entering Eastern Europe and Soviet markets.

Foreign Trade Zones (FTZ)

QUESTION:

As we have discussed before, Mr. Secretary, I would like to eliminate manufacturing in FTZ's. Absent that, I'd like to see the Department treat manufacturing subzones more like the grant of a significant tariff concession (which they are) rather than an entitlement. Do your proposed regulations move us in that direction?

ANSWER:

Yes, but they do so more as a clarification rather than adoption of a new policy, because the Foreign-Trade Zones (FTZ) Board has never considered manufacturing authority in zones as an entitlement. However, we believe a clearer statement of Board policy is needed on this subject as well as a clarification of the process. In an effort to accomplish this, the proposed regulations state the definitive criteria for evaluating manufacturing in zones and subzones, as well as review procedures. When inverted tariffs are involved (i.e. where zone users elect a lower finished product duty rate), the new rules will facilitate the denial of authority for activity that would have a negative economic effect or that is contrary to trade policy. This will help ensure that zone procedures are not used in a way that would amount to a "tariff concession."

QUESTION:

Your Department has a long-standing policy, which I fully support, to deny applications for foreign trade zones for processing or making textiles and apparel because such zones can be used to circumvent quotas and/or tariffs. Yet people keep trying to get these zones for textile or apparel production. I understand that there is at least one such application pending before the department's foreign trade zones board right now. Is the department going to adhere to its policy for this and any future applications?

ANSWER:

There has been no change in Department or FTZ Board policy of prohibiting zone import manufacturing involving textiles and apparel.

Structural Impediments Initiative (SII) Talks

QUESTION:

Will there be any change in the U.S. trade deficit with Japan (now almost half of the entire merchandise trade deficit) as a result of the Structural Impediments Initiative (SII) talks?

ANSWER:

When the SII was launched in July 1989, the President and Japan's Prime Minister agreed that our governments would work to identify and solve structural problems in both countries that stand as impediments to trade and balance of payments adjustment with the goal of contributing to the reduction of payments imbalances.

As structural barriers in both economies are removed, market forces will work to make high quality, price-competitive U.S. goods more widely available to Japan's consumers. This will undoubtedly work to reduce our bilateral trade deficit.

QUESTION:

In the SII talks, negotiators for the Japanese are demanding that the U.S. increase its savings rate, put greater emphasis on investment rather than consumption, and improve its educational system. I find myself agreeing with the Japanese Government. In fact, I introduced a bill last month that will accomplish all those things, S. 2084, the Tax Reform and Competitiveness Act. You should take a look at it--it seems to me the Japanese Government is ahead of the U.S. Government in recognizing what we need to do to get our house in order.

ANSWER:

We think the U.S. Government is well aware of what we need to do to get our house in order. This is why we agreed to look at structural problems in both economies from the beginning of the SII process.

We agree that the United States needs to increase savings and lower the cost of capital. The Family Savings Plan and the capital gains tax cut proposed by President Bush will help to increase private savings and stimulate long-term investment.

It is also crucial that we improve our educational system in the United States. The Administration showed its resolve to take action in this area when President Bush announced his national education goals in the State of the Union Address.

We at the Commerce Department are working to make U.S. firms even more competitive and export-oriented. We are in the final stages of producing an export promotion program specifically for Japan which we plan to use as a model for subsequent application in other countries.

Miscellaneous

QUESTION:

Have we made any progress on the Super 301 talks with Japan on satellites or wood products?

If those markets were completely free and open, would there be any significant change in the U.S. trade deficit with Japan?

ANSWER:

The forest products talks have not produced much progress. We have made clear to the Japanese that the resolution of this issue must be in the form of a comprehensive package which addresses not only standards and other technical issues, but also reduces tariffs and resolves the misclassification problem.

However, with the Japanese elections over and the added pressure by Prime Minister Kaifu following the Palm Springs summit, we expect to see substantive progress in the near future.

The U.S. forest products industry has conservatively estimated that, absent market barriers, its exports to Japan would increase by $1.1 billion, about 50 percent above the current level of $2.2 billion.

With regard to the satellite discussions, we are extremely disappointed with the lack of progress in the most recent round of negotiations. The U.S. side will not return to these discussions until Japan is able to put forward a proposal that adequately addresses USG concerns.

Japan has plans to develop and/or launch seven satellites by 1994. At $10-$15 million each, this amounts to a market of between $70 and $100 million. However, the economic issues at stake cannot be measured solely in terms of complete satellite sales to the Government of Japan. Opening up the Japanese space sector will have a far wider economic significance than simply increasing space related sales because it will also help ensure a successful future for this industry within the U.S.

QUESTION:

Why did we unilaterally renounce future steel VRAs? Doesn't that kind of action lessen our leverage internationally?

ANSWER:

There was nothing unilateral about the commitment to renounce steel VRAs. As part of the worldwide liberalization, the United States and each signatory country committed to the elimination of subsidies, and the elimination of tariff as well as non-tariff measures, including VRAs.

The major thrust of the President's Steel Trade Liberalization Program is to negotiate the elimination of trade distorting practices affecting steel. This program reflects his commitment to a meaningful international consensus and is an important step in our pursuit of fair trade in steel on a global basis.

As a first step toward the international consensus, we have successfully negotiated bilateral consensus agreements on steel with our major steel trading partners. The bilateral agreements commit our steel trading partners to prohibit future subsidies and other government supports specifically provided to the steel industry. These agreements also commit governments to reduce tariffs on steel products and to eliminate nontariff barriers to market access.

Realizing that it may take some time to implement these agreements, the President authorized the extension of steel voluntary restraint agreements for two and one-half years. During this period, the United States will work aggressively on incorporating into the Uruguay Round of Multilateral Trade Negotiations the obligations and disciplines contained in the bilateral consensus agreements. The negotiations on subsidies and market access directly address trade barriers and distortions that are endemic to steel and provide the best opportunity to expand and strengthen multilateral rules as a whole. In this way, after the two and one-half year VRA extension, we can return to reliance on U.S. trade laws to address any unfair trade problems in steel.

QUESTION:

Instead of using U.S. trade laws and our textile import program as carrots to induce others to go along with us in Geneva, shouldn't we be using the U.S. market as leverage?

ANSWER:

Increased access to the U.S. market is a major goal of participating countries in the Uruguay Round. As such, it provides considerable leverage for the U.S. in pursuing its major Uruguay Round objectives.

In negotiating acceptable Uruguay Round agreements, we do not intend to sacrifice U.S. law in a way that would undercut its purpose. Our objective is to achieve improved and effective multilateral disciplines through a comprehensive Uruguay Round package.

Ultimately, a final Uruguay Round package will be the result of an exchange of concessions and a successful evaluation of what is advantageous to the U.S.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

QUESTION:

In recent weeks, we have seen substantial interest, by both the Administration and the Congress, in creating a Department of the Environment. There has also been some discussion of whether the National Oceanic and Atmospheric Administration should be transferred to the new Department.

What are your thoughts on this issue?

ANSWER:

I strongly oppose any transfer of NOAA from the Department of Commerce.

The Department of Commerce compiles the data which is crucial to informed decisionmaking throughout corporate America and within the Federal government. As we understand more about the impact of our business and policy decisions upon the global environment, the more apparent it becomes that environmental statistics and information must be considered on a par with other indispensable data. As President Bush has said, "a healthy environment is essential to a vital economy."

Monitoring the state of the environment and predicting future trends is becoming increasingly important since it influences this nation's energy, agricultural, and economic policies. As the earth systems agency and steward of our nation's marine resources, NOAA is responsible on a global scale for environmental monitoring, analysis, prediction and data acquisition and dissemination. NOAA provides the environmental statistics and information which form the basis for many national and international policy decisions including those made by industry.

NOAA's mission is best carried out within the Department of Commerce. One of the strengths of U.S. environmental policies is the objectivity and quality of the underlying research. A regulatory agency tends to look at the near-term consequences of a problem, a scientific agency, such as NOAA, takes a longer-term view and maintains longer time scale data sets. Placing NOAA within a regulatory agency could jeopardize the perception of objectivity in its research and analysis.

Furthermore, NOAA's public service responsibilities, such as weather forecasting, mapping and charting, and commercial and recreational fisheries management, would not mesh readily into a Department of the Environment. In addition, NOAA's independent existence within the Department of Commerce has been important in our efforts to mediate among the interest of special sector agencies such as the Department of Energy, EPA and the U.S. Trade Representative. Also, NOAA and the Department's International Trade Administration have worked closely together on issues regarding the relationship between the environment and foreign trade.

In my view NOAA should remain in the Department that is responsible for promoting and enhancing trade and international competitiveness. To balance the sometimes competing goals of industrial development and environmental conservation, industry and environmentalists must work together. Removing NOAA from the Department of Commerce would send a message that the United States is not serious about the need for close coordination between the environment and industry.

QUESTION:

Legislation to create the new department (S.2006) was recently reported by the Senate Governmental Affairs Committee and contains several provisions which could affect NOAA indirectly. Have you reviewed this legislation? Do you have any concerns with it?

ANSWER:

The Administration strongly supports elevating EPA to cabinet-level status.

QUESTION:

There are currently several congressional proposals to establish a federally-supported seafood inspection program. One important question is where the new program should be housed--in Commerce, Agriculture, or the Food and Drug Administration. Last week, I introduced a bill which would give the responsibility to Commerce and NOAA. Yesterday's Washington Post reported that Secretary Yeutter wanted the program in Agriculture.

What is your position on this issue?

If seafood safety were to become a Commerce responsibility, where would you place the program in your funding priorities? Please explain.

ANSWER:

The Administration believes that overall responsibility for seafood safety should remain with the Food and Drug Administration (FDA) of the Department of Health and Human Services (HHS) and the National Marine Fisheries Services (NMFS) of the Department of Commerce (DOC). Any expansion of the Federal seafood safety program should be directed towards those agencies. The Food Safety and Inspection Service (FSIS) of the Department of Agriculture may continue to assist in seafood inspection in the future on a reimbursable basis at the request of HHS and DOC, as resources and current authorities permit.

QUESTION:

Last September, Hurricane Hugo once again demonstrated the national importance of the GOES satellite system. Yet we still have only a single satellite in operation and that satellite will reach the end of its expected lifetime in February 1992. In addition, the program to develop the new GOES Satellite continues to be over budget and behind schedule.

Why, given the problems this program has had, do you propose a major decrease in funding for the GOES program in FY 1991?

Rather than getting back to a two GOES system, we seem to be headed for a no GOES situation. What is the status of the report we requested on contingencies for dealing with such a situation?

Looking ahead, future GOES launches are scheduled at five-year intervals, a schedule which doesn't anticipate problems such as launch failure. The past has taught us that such failures do occur. How would you deal with them and maintain a two GOES system under your proposed schedule?

ANSWER:

The FY 1991 budget request represents the year-to-year fluctuation in funding required for this program. It incorporates a reduction of $32 million for spacecraft and an increase of $6 million for launch services. This change recognizes that design and development of spacecraft and payload instruments will have been completed in 1990, and only production, integration and test activities will be underway in 1991. The FY 1991 funding requirement for the spacecraft contract was adjusted to correspond with the funding needed to support the reduced level of staffing required by the contractors during this stage of the program. NASA is currently completing a revised cost estimate for this program which will be made available in April.

The report, which you requested, has been completed and will be submitted in the near future.

Satellites of the GOES I-M series are planned for completion at the earliest practical date, considering restrictions imposed by technical development problems and budgetary constraints. We anticipate that satellites will be in storage, available for launch, when needed to replace any that either fail to achieve orbit or fail prematurely once in orbit. The GOES launch services contract provides for a reflight if, after intentional ignition, the Atlas/Centaur launch vehicle fails to deliver the GOES satellite(s) into the proper orbit. Therefore, at no additional cost to the Government for launch services, a satellite that fails to achieve orbit due to failure of the launch vehicle may be replaced with the next satellite delivered by the spacecraft contractor.

To replace a satellite that has failed prematurely, it may be necessary to request that launch services funding be made available earlier than budgeted, and that NASA negotiate with General Dynamics for provision of an early launch opportunity.

QUESTION:

In looking over the FY 1991 Commerce Budget request, I was pleased to see the marked improvement in the funding proposed for NOAA, including substantial increases for Global Change and Weather Service Modernization. A 400% increase is proposed for the Global Change Program alone.

Is such an increase realistic? How would the Global Change money be spent?

ANSWER:

The proposed FY 1991 funding will enable NOAA to support a number of high-priority Climate and Global Change projects which were either initiated in the first two years of the Program or have been the subject of scientific planning and program development since the inception of the Program. NOAA's Climate and Global Change Program is a vital component of the U.S. Global Change Research Program (USGCRP) and enables the Agency to bring its unique talents and special capabilities to bear on some of the highest scientific priorities identified by the Committee on Earth Sciences in the USGCRP Research Plan released in the summer of 1989. In support of the stated objectives of the USGCRP and with a special focus on providing reliable assessments and quantitative predictions of climate change and its regional implications, NOAA will pursue the following global change responsibilities within the funds requested:

- DOCUMENTING GLOBAL CHANGE -- NOAA's planned activities will fill significant gaps in: (i) enhancing operational ocean observations; (ii) implementing a global sea-level monitoring network; (iii) monitoring changes in significant stratospheric constituents like ozone (joint project with NASA); (iv) the development and testing of new measurement technologies; (v) the development of important climate and global change measurement products derived from operational satellite (metsats) and **in-situ** observations; (vi) climate diagnostics and analytical studies; and (vii) the establishment of an effective NOAA and national data and information management system in support of the USGCRP.

- FOCUSED PROCESS STUDIES -- NOAA's research projects are aimed at some of the highest scientific priorities identified by CES and will complement those of the other participating agencies to provide significantly improved understanding of: (i) interannual climate variability through support of planned enhancements to the international Tropical Oceans-Global Atmosphere (TOGA) Program; (ii) the role of ocean circulation and dynamics in climate change, with particular emphasis on the importance of Atlantic Ocean circulation patterns on decadal climate change and the role of the ocean as a sink for atmospheric carbon dioxide; (iii) the sources, sinks and behavior of greenhouse gases in the atmosphere through NOAA's Radiatively Important Trace Species (RITS) Program; (iv) the importance of dimethysulfide produced by marine organisms as cloud condensation nuclei; (v) clouds, water vapor, and the global hydrological cycle, including NOAA contributions to the evolving international Global

Energy and Water Cycle Experiment (GEWEX); and (vi) the effect of climate and related stresses on marine ecosystems.

- CLIMATE MODELING AND PREDICTION -- In response to NOAA's longstanding environmental prediction and information services mission, the FY 1991 proposal ensures significant progress toward: (i) operational ocean modeling; (ii) near-term forecasting improvements to extend operational predictive capability on monthly and seasonal timescales; and (iii) the design and implementation of an effective multiagency approach to significantly advance climate prediction capabilities on interannual and decadal timescales.

NOAA is well prepared to handle the major expansion for its Climate and Global Change Program that is called for in the National Program. NOAA has been assigned a leading role within the U.S. Global Change Research Program. Plans are already in place to implement NOAA's Climate and Global Change Program at the levels requested. The proposed FY 1991 funding provides support for high-priority projects which were either initiated in the first two years of the Program or have been the subject of scientific planning and program development since the inception of the program. In fact, many of the proposed projects are still not fully funded even at the $87 million level.

The overarching management structure for NOAA's Climate and Global Change Program has been in place since 1987:

- Central office with primary responsibility for agency-wide program integration which carries out the day-to-day management of the Program;

- Board of Directors representing the NOAA Assistant Administrators which is responsible for resource allocation and technical problem-solving; and

- External scientific review body (the NOAA Panel on Climate and Global Change) which advises on broad program direction and recommends project priorities in the context of national and international global change activities.

Program plans and management teams for each major project are either already in place or will be by summer to ensure an effective start on new projects and the smooth expansion of ongoing efforts. Many of the current projects are seed efforts that anticipate considerable future expansion.

To achieve the maximum benefit from a partnership with the academic community, the Climate and Global Change Program plans that approximately 30% of the Program's resources will support work at academic institutions. An annual extramural grants program to support proposals which contribute explicitly to the objectives of the program was initiated in FY 1989 and remains a critical element of NOAA's Climate and Global Change Program.

QUESTION:

In the case of the Weather Service, are these full amounts actually necessary in FY 1991?

ANSWER:

Yes, the amounts for the National Weather Service modernization are critical in maintaining schedules for the many interrelated components of the modernization.

QUESTION:

In recent years, we have spend a great deal of time and money to modernize the National Weather Service. What efforts, if any, are underway to assess and deal with other parts of NOAA's aging infrastructure, such as research vessels, laboratories, and aircraft?

ANSWER:

Ships - Funds ($4,000K) are requested in FY 1991 to begin a service life extension and modernization program for the NOAA ships which average 26 years in age. Also, NOAA's Chief Scientist's Office is currently conducting an assessment of current and future user requirements for the fleet and will develop a plan with recommendations addressing fleet size, capabilities and character to meet those requirements.

Instrumentation - Provision of adequate instrumentation to respond to new and expanded research is a problem. NOAA has been successful in upgrading instruments in several areas, such as the GFDL and NMC super-computers. The Administration supports a proposed FY 1991 budget increase of $1.7 million to upgrade NMFS computer systems in Seattle, WA, Miami, FL, and Silver Spring, MD. The movement of today's research into the acquisition of high volume data sets, however, requires the use of computer technology considerably advanced over what NOAA has available. A data management study is currently underway.

Efforts also are underway to identify research instruments that will need to be upgraded. Examples are current meters to support oceanographic research, radar equipment to do severe storms research, and high altitude gas sampling and analyzing systems to support trace-gas and ozone-depletion studies.

Airborne instrumentation, in particular, is critical to many of the new climate studies. Funds are requested ($1,866K) in FY 1991 to increase maintenance of aircraft systems and to replace the inoperable OMEGA navigation systems on the two WP-3D aircraft.

Laboratories - Over the last 10 years, the Environmental Research Laboratories (ERL) has been upgrading the research facilities of the Laboratories. Additional laboratory renovations will be addressed in priority order through the $3.2 million requested for facilities maintenance in FY 1991. New buildings have been obtained for the Pacific Marine Environmental Laboratory and the Great Lakes Environmental Research Laboratory. A new consolidation facility for the NOAA components in Boulder, Colorado, is in the process of being constructed--completion is expected in 1993.

NMFS is currently reviewing the status and condition of fishery research facilities in all NMFS Regions.

UNITED STATES TRAVEL AND TOURISM ADMINISTRATION

Tourism

In 1989, tourism was the largest United States export industry in terms of export receipts. Just when we turned the corner, the Administration proposes to cut the tourism program by $411,000. In addition, the budget again proposes a $1 ticketing fee on international airline and cruise ship passengers that is expected to raise $25,000,000 in fiscal 1991.

QUESTION:

Mr. Secretary, I am advised that the United States Travel and Tourism Administration projected a $30 million program for 1991. That sounds like the kind of program we need to promote tourism. What kind of program would we get for $30,000,000?

ANSWER:

For $30 million, USTTA would design a program that would include additional resources for marketing trade development programs and campaigns to develop more highly visible programs in major tourism markets; permit more aggressive expansion in Pacific Rim countries; devote more outreach efforts to expanding participation from tourism industry organizations; improve data collection, anlaysis and dissemination functions; and implement international agreements as well as represent tourism positions in bilateral civil aviation negotiations.

QUESTION:

I am opposed to the ticketing fee proposal, but if its purpose is to offset the tourism budget, why is it set to take in $11,000,000 more than we spend?

ANSWER:

The USTTA budget request for FY 1991 seeks a direct appropriation of $14.362 million. The Department of Commerce will soon transmit to the Congress draft legislation to establish a USTTA facilitation fee. Receipts collected from the fee would be used to offset the budget deficit not merely the amount contained in the USTTA budget. The fee to be proposed would be very similar to the Custom's inspection fee currently being collected by the Secretary of the Treasury. It is set up this way to minimize the administrative burden on the airlines and shiplines from whom the fee would be collected and on the Federal Government. While the Custom's inspection fee is presently set at $5.00 each, the USTTA fee would be $1.00 each, the lowest practical level. Rather than establishing a separate mechanism for the USTTA fee, the amount would be set by dividing the Custom's amount by five. We are projecting approximately 25 million arrivals on airlines and cruise lines on whom the fee would be based. This would result in $22.5 million with 90% collection but the amount is not tied to the USTTA budget.

INTERNATIONAL TRADE ADMINISTRATION

Textiles

QUESTION:

Imports of textiles and apparel continue to flood the U.S. market and do great damage to the U.S. industry and its workers. In 1989, imports of these products totalled $32 billion -- 21% of our Nation's merchandise trade deficit. Your Department's Office of Textiles and Apparel chairs an interagency "Committee to Implement Textile Agreements." What is the CITA doing to turn this around? I suspect the problem is in trade policy set by the White House. Can you tell me what the textile policy of this Administration is? Is it a continuation of the policy of the Reagan Administration whose only textile focus was to twice veto textile legislation?

ANSWER:

The Administration's policy in regard to textiles and apparel is to vigorously enforce our existing laws and international agreements that govern trade in these sectors. Since taking office, the Bush Administration has renegotiated 16 bilateral agreements with textile/apparel exporting countries including three major suppliers - Taiwan, South Korea and Japan. With Taiwan and Korea alone, we reduced their quota levels by over 100 million square meters, an unprecedented action against suppliers of this magnitude. In addition, we have made 49 calls covering 71 separate categories to prevent market disruption in specific product categories where there are currently no limits. We will continue to take an aggressive stance in our bilateral negotiations and to make calls to prevent market disruption or the threat of market disruption.

QUESTION:

Textiles have become an important element in the Uruguay Round trade negotiations. Is your Office of Textiles and Apparel participating in and providing input to these negotiations? Of the three options presented by the U.S. in Geneva, which do you favor? (Global quotas, tariff rate quotas, or strengthen MFA.)

ANSWER:

The Office of Textiles and Apparel has worked closely with USTR and other offices and agencies in developing U.S. positions and providing input for the Uruguay Round (UR) negotiations. The Deputy Assistant Secretary for Textiles and Apparel, or his representative, normally attends the UR textile negotiating sessions in Geneva. In addition, the Office of Textiles and Apparel monitors and provides input for work in other negotiating groups which have relevance for textiles and apparel. The office also maintains a continuing liaison with the industry to determine industry positions and concerns and to ensure that these positions are taken into account in USG deliberations on the issues. Additionally, the Office administers the Industry Sector Advisory Committee for Textiles and Apparel which is a major conduit for industry advice on the Uruguay Round.

As the U.S. paper submitted to the Textile Negotiating Group on February 5 reflects, we favor either a global quota or tariff rate quota as approaches which provide advantages in terms of the gradual opening of markets to competitive forces, transparency, equity, and certainty. However, we are prepared to consider other approaches, which include use of a system extrapolated from the MFA.

QUESTION:

Trade, not aid, seems to be the slogan of the day. Since we're broke and can't afford foreign aid, we seem determined to give away chunks of our industrial economy. Some examples are the Andean Trade Initiative, the Mexican bilateral which doubled their textile quotas, extending the coverage of CBI to textiles, apparel, and footwear, and probably preferential treatment for the Eastern Europeans, eventually. Where does this end? Can we really afford all these trade programs?

ANSWER:

Because of rapidly changing global politics, the Administration has been forced to review existing policy across the board, not just in the area of trade. In regard to Mexico, the United States recently agreed to liberalize our current textile and apparel bilateral trading arrangement. This was done in response to significant reductions of trade barriers in Mexico's market that have allowed for greater access of U.S. fabrics and apparel. A major part of this new agreement enhances the complimentary relationship between our two industries by allowing for greater quantities of Mexican apparel to be exported to our market if it is made from U.S. fabric.

Under the President's Andean Trade Initiative proposed last fall, the Commerce Department recommended the establishment of a Special Regime similar to Mexico's with the Andean countries. Again, the U.S. sought to assist U.S. fabric producers through the development of new markets, and help domestic apparel producers, who source off shore, remain competitive against Asia imports. To date, no consultations have been held with the Andean countries on a Special Regime.

QUESTION:

Mr. Secretary, as you know, the textile and apparel industries, which have a large presence in my state, have a serious international trade problem. Last year, these industries suffered a $26 billion trade deficit because their $6 billion worth of exports were swamped by $32 billion worth of imports. Now I'm not suggesting that the industry will ever export its way out of this enormous deficit, but increased exports could help reduce this deficit. My question to you is: What, if anything, is the Commerce Department's Office of Textiles and Apparel doing to assist American textile and apparel companies increase their exports?

ANSWER:

The Department's Office of Textiles and Apparel continues to offer a comprehensive program to encourage U.S. textile and apparel manufacturers to export.

The main thrust of the program centers around foreign trade shows and selling missions which put U.S. suppliers in direct contact with foreign customers. In FY 1991, the Department is sponsoring 12 overseas events for these sectors to reach markets in Europe, the Middle

East and Japan. The Office of Textiles and Apparel also organizes industry export seminars/workshops on a regional basis and for individual companies. Ten such events are scheduled in FY 1990.

QUESTION:

Please provide a summary of funding for the Office of Textiles and Apparel.

ANSWER:

Funding for the Office of Textiles and Apparel (OTEXA) follows:

	FY 1989 Actual	FY 1990 est. *	FY 1991 est.
	(dollars in thousands)		
Office Operations	$2,386	$2,516	$2,676
Export Expansion Program	735	592	592
Textile Information Management System	333	592	592
TC2	3,360	3,315	-0-
TOTAL	6,814	7,015	3,860

* Reflects 1.34% GRH reduction

QUESTION:

The 1991 Budget holds the Office of Textiles and Apparel to the same level as 1990. Don't they have the same built-in costs as everyone else and what do they amount to?

ANSWER:

The FY 1991 allocation for the Office of Textiles and Apparel (OTEXA), will be adjusted to reflect their share of any adjustments to base ITA receives. The OTEXA share of the requested adjustments, which are almost entirely personnel related, would amount to approximately $160,000.

QUESTION:

Once again the Department has eliminated the funding for the Tailored Clothing Technology Corporation. Over the last few years, we have seen the Chinese and the Korean Governments announce massive assistance to their apparel industry, yet the United States Government doesn't want to maintain a modest $3 million grant to modernize the American apparel industry. Why is the Administration abandoning the American apparel industry?

ANSWER:

By way of the Department's contribution to the TC2 project, the U.S. Government has been in close partnership with the apparel industry to further basic research in developing new technology and facilitating technology transfer. Over the nine year existence of TC2, more than $18 million has been made available to this enterprise in conformity with the direction of the Senate Finance Committee, and several accomplishments have resulted. In addition, funds to continue this effort have been appropriated for FY 1990. While there is a great deal of merit inherent in the mission and goals of TC2, it becomes necessary to evaluate our role in light of the constraints on the budget and the shift in the focus of TC2 activities away from basic research. TC2 is one of many projects which the Department has considered, but other priorities have taken precedence. This decision not to fund TC2 is influenced in part by the demonstrated ability of the corporation to attract funding and generate revenues on its own, as well as the growing enthusiasm and support in the textile and apparel industry for its programs.

BUREAU OF THE CENSUS

1990 Decennial Census

Less than a month from now, on April 1, the 1990 Decennial Census will be underway. As you noted in your statement, in order to stay within our overall allocation, we cut the request last year by $57,000,000. Senator Bingaman has written to me of his concerns about the impact of the reduction, and his letter will be made a part of the record. (The letter follows the Census questions.)

QUESTION:

Mr. Secretary, I appreciate the difficulty you are in, and if a dire urgent supplemental appropriation becomes necessary, I'll do what I can to help. If that becomes necessary, do you have some offsets in mind?

ANSWER:

Our ability to proceed as planned within the currently appropriated amount depends primarily upon the mail response rate, which we shall know in late April. As we have told this Committee before, we had requested a FY 1990 budget that assumed a 70 percent mail response rate (as compared to an actual response rate of 75 percent in 1980.) Given the Congressional budget cut in FY 1990, if the actual rate in 1990 is at or near 70 percent, we may have a budget shortfall. In that case, we will need to look at options to cover the shortfall. If the actual rate approximates our 1980 experience, we hope to be able to proceed within existing funding levels.

The mail response rate is critical because we must visit each housing unit for which a questionnaire is not returned. We estimate that each one percent change in the mail response rate translates into approximately $10 million. However, it is difficult to predict definitively any budget shortfall which might result based solely on the mail response rate. Other factors that may affect the size of any shortfall include keying and enumerator productivity rates, attrition and the size of the census job applicant pool. Of course, other totally unanticipated setbacks, such as natural calamity, may also affect funding needs. We will be in a better position to address our funding situation when the mail response rate is known.

To the extent that we can achieve savings in currently planned operations over the next few weeks without compromising the census, we will make every effort to do so. Assuming existing planning parameters are met and there are no unanticipated setbacks or additional savings achieved, we now expect we may need an actual mail response rate of approximately 75-76 percent. We will monitor carefully the response rate during mid-to-late April and will keep the Committee fully apprised. We understand that supplemental appropriations have been required during past decennial years.

QUESTION:

The local newspapers have indicated that Census is having difficulty in recruiting workers in the Washington area. How are we doing on the recruiting?

ANSWER:

Overall, we believe recruiting is going well. For your information, our recruiting levels are based on a somewhat "worst-case" scenario using the following assumptions:

o No employee will work on more than one job or operation;
o We will experience our expected turnover rates;
o We must recruit 4 persons for every person we plan to hire at peak to allow for a sufficient number of qualified applicants who will accept a job when offered.

Thus, the goals are much higher than the actual number of positions we need to fill. Relative to these goals, we also have set benchmarks. While current recruiting levels have not reached those desired levels for all offices, it should be noted that we already have recruited more persons than we recruited during the entire 1980 census. For those District Offices where we are having some difficulties (mostly those in high-employment areas), additional intense promotional steps have been taken to increase recruiting, and we expect these measures to be effective.

Census Coverage

Mr. Secretary, I was glad to hear you report that the Bureau of the Census will proceed with the vacant/delete check as originally planned. I will make part of the record a letter from Senator Bingaman regarding his concerns about the coverage improvement programs for the Decennial Census. (Letter follows Census questions.)

QUESTION:

Will the vacant/delete check be on a 100% basis?

ANSWER:

We will conduct the vacant/delete check on a 100-percent basis as originally planned in order to provide accurate counts and data for small geographic areas. One of the unique characteristics of a census, as opposed to a sample survey, is that a census is designed to produce accurate data for small areas. The majority of the 39,000 governmental units in the U.S. are small; about 80 percent have fewer than 5,000 people. By conducting this recheck on a 100 percent basis we will be providing data with a level of accuracy consistent with other census data collection activities, and consistent with our goal to improve accuracy for geographic areas and population subgroups.

QUESTION:

How many additional persons are expected to be added to the census count by the vacant/delete check?

ANSWER:

In 1980, we estimate this program added between 1.5 million and 2 million persons to the count. Since many aspects of the census have changed since 1980, we cannot predict what will happen in 1990, but we do believe this program will add significantly to the count.

QUESTION:

What will the vacancy/delete count cost?

ANSWER:

We still estimate this program will cost $64 million.

Editing and Follow-up

To help meet funding needs in fiscal year 1990, the Bureau reduced its questionnaire edit and follow-up operations by $36 million. This reduction could affect data quality, particularly for small areas. The Bureau originally planned to follow up on all mail returned short forms that failed edit. The Bureau will still follow up on all questionnaires that fail edit for population count information. However, only 10 percent of the short forms that fail edit for other purposes, such as missing information on age, sex, and race will be followed up.

Additionally, the Bureau had originally planned to edit the short form questionnaire obtained by enumerators; i.e., those not mailed back by households, but now will not. As a result of these changes, the Bureau will be imputing more questionnaire data than anticipated.

QUESTION:

Does the Bureau plan any evaluations to show the impact on data quality or other effects of increasing the imputation rates for content questions? If so, please describe the scope of the Bureau's planned efforts.

ANSWER:

Yes. The 10% sample will be compared to those not sent follow-up so as to analyze differences in imputation rates and data quality.

QUESTION:

Could the increased imputation of content data impede or impair the post enumeration survey (PES) or a possible adjustment of census counts?

ANSWER:

Increased levels of missing content data in the census could introduce a degree of uncertainty into the PES estimates above what we currently expect. We do not believe that this will affect our ability to produce a high quality PES. We also do not expect that this will impede our processing of the PES.

Unemployment Benefits

For FY 1990 the Bureau requested about $71.5 million for unemployment benefits. For FY 1991 it is requesting about $4.4 million.

QUESTION:

How does the Bureau account for this major difference in costs for the two years?

ANSWER:

We budgeted for unemployment compensation claims that will be filed by the large temporary work force hired in FY 1990 to conduct the 1990 Census enumeration. The decrease reflects the 96 percent decrease in temporary staff between FY 1990 and FY 1991, as a result of completing the majority of field enumeration activities in FY 1990.

QUESTION:

Wouldn't a significant number of temporary workers receive unemployment benefits in FY 1991?

ANSWER:

It is difficult to predict precisely when census workers will receive unemployment benefits. However, the peak census staff of 285,000 workers occurs in May 1990, and the Census Bureau would be liable for a large number of claims when these workers finish their work. This information leads us to budget most of the unemployment compensation costs in FY 1990.

QUESTION:

How did the Bureau derive its estimated unemployment benefits cost for the decennial cycle? Does this estimate discount temporary workers who will not be eligible to collect unemployment benefits after they are separated? For example, temporary workers who are employed by the Bureau on a part-time basis while concurrently employed full-time elsewhere, retired workers, workers who will return to other jobs, or persons who will not have worked long enough to qualify for unemployment benefits?

ANSWER:

Our budget estimates are based on anticipated peak staff levels and the percentage of staff expected to apply for and receive benefits based on national averages and some limited historical information from the 1980 Census and the 1990 test censuses. It is difficult to estimate prior to the census how the census workforce may differ from national average eligibility characteristics or those of previous census workers.

QUESTION:

What was the actual unemployment expense for the 1980 Census?

ANSWER:

We cannot determine the actual unemployment expense for the 1980 Census because much of that expense was funded as part of the Labor Department's Payments for Unemployment Compensation for Former Federal Employees, which covered the entire Federal government, and was discontinued in 1981. The payments the Census Bureau have made since that time total $2.6 million, but this is not the total expense to the Federal Government.

Counting Overseas DOD Personnel

QUESTION:

At a September 7, 1989 hearing on H.R. 2661, the Bureau's Deputy Director testified that the Census Bureau will include overseas members of the armed forces, civilian Department of Defense employees and their associated dependents in the 1990 population counts used for apportionment.

How much will this operation cost? Who will pay for it, the Bureau or DOD?

ANSWER:

We are planning, for the purposes of Congressional apportionment, to include overseas U.S. military and Federal civilian personnel and their dependents stationed with them. A total cost estimate is not available because most information will be gathered from administrative records and all work will be absorbed by the reporting departments and agencies. Work required at the Census Bureau will be carried out by existing staff and is minimal.

QUESTION:

If DOD does not provide the funding, has the Bureau provided for this in its budget request?

ANSWER:

The cost to include these personnel in the apportionment counts would be funded by the Census Bureau and the costs of providing the information for inclusion in the counts would be funded by the DOD or other agencies providing the information. If the DOD (or other agencies) do not provide the information, the Census Bureau has no other way to obtain it for inclusion in the apportionment counts.

QUESTION:

Why aren't other citizens abroad being counted for apportionment?

ANSWER:

Inclusion of Federal overseas personnel is possible because of the ease with which we can acquire information from Federal administrative records. These records officially document the existence of such persons, and record a state of residence for them. Equivalent information for other Americans overseas, who are private citizens, that would allow us to include them in the apportionment count, is not available, even for those employed by U.S. companies, and such information would be difficult to collect accurately.

Promotion and Outreach

For the 1990 Census, the Bureau planned an extensive public service advertising campaign as well as an outreach program. About 199 community awareness specialists working with local community organizations sought support for the census.

QUESTION:

Please describe what kinds of promotion and outreach activities the Bureau plans to do in FY 1991.

ANSWER:

Besides the activities described below, the Census Bureau will complete an evaluation of its 1990 School Project; complete the "Thank You America" campaign to acknowledge those parties outside the Bureau who provided support for the 1990 Census; and participate in work shops, conferences, and other forums to inform and assist the public in accessing and using various data products at the national and local levels.

QUESTION:

What portion of the $5.3 million requested in FY 1991 for promotion and outreach will be allocated to the Census Community Awareness Program?

ANSWER:

$2.9 million is for the Census Community Awareness and Products Program.

QUESTION:

How many community awareness specialists will be retained during FY 1991?

ANSWER:

We plan to have 105 community awareness specialists in FY 1991 to complete the following activities:

- Contacting community-based organizations to thank them for their assistance during the 1990 census;
- Conducting data work shops for community-based organizations, religious organizations and schools;
- Attending meetings and conferences and responding to inquiries regarding access to and use of census data products, the schedule for release of 1990 census products, and the like;
- Assisting regional geographers with redistricting issues.

Statistical Research and Evaluation

One of the Bureau's goals for the 1990 Census is to "maintain a high rate of overall coverage, improve the accuracy of small area data, and reduce the undercount differential for population groups and geographic areas." One of the biggest issues in the 1990 Census is whether to adjust the census counts using statistical methods to compensate for the historic and net undercount. The Bureau is requesting $32.4 million for its statistical research and evaluation program to measure the size of errors in census characteristics data and the source of these errors.

QUESTION:

What portion of the research funds will be devoted to the post enumeration survey and the other efforts needed to make a decision on adjusting the counts?

ANSWER:

The FY 1991 cost for implementation of the Post Enumeration Survey is about $20 million.

QUESTION:

Will the Bureau reduce its efforts on coverage evaluation if a Department decision is made not to adjust the count?

ANSWER:

No.

QUESTION:

What portion of the research funds, if any, will be devoted to evaluating the effectiveness of the Bureau's promotion and outreach effort?

ANSWER:

Out of these funds, about $74 thousand is for some specific outreach and program evaluations. Within our FY 1991 outreach program request, however, another $706 thousand is for headquarters staff and various programs, mainly dealing with assessing our 1990 efforts.

2000 Census

The Bureau's 21st Century Planning Staff is doing a zero-based review of the decennial census process. This staff plans to do detailed cost/benefit studies of alternative methodologies for the next decennial census.The Bureau has requested $1.5 million in FY 1991 to begin planning for field tests in 1993.

QUESTION:

Will this level of funding be sufficient to do testing and planning for the 2000 Census?

ANSWER:

This level of funding will be sufficient to begin setting the objectives and making plans for initial field tests of promising ideas in the early 1990's. This 1991 funding will also allow us to begin to examine data user needs, refine our cost modeling capabilities, and review new developments in information technology. While adequate for initial planning and analysis, this level of funding does not allow for actual field tests, or for the major development and testing of automated systems.

QUESTION:

What innovative techniques is the Bureau considering for the 2000 Census?

ANSWER:

We are looking for innovative changes to improve the cost, quality and timeliness of future censuses. Some possibilities for consideration include:

- operational changes: eliminating, limiting or revising the schedule of operations;
- the field management and data processing office structure;
- the use of new technologies and automated equipment and its distribution throughout the office structure;

- the maintenance and updating of the address list by innovative methods and on a more regular basis throughout the decade;
- the design of better questionnaires and mailing packages, with attempts to design effective procedures for problematic subpopulations;
- the use of different residence rules, forms and list matching techniques to improve coverage;
- the use of matrix sampling or alternative sampling rates for estimates of characteristics; and
- the use of multiple reminder cards or mailings to nonrespondents for mailed forms.

QUESTION:

Will the Bureau have sufficient time to complete the analysis of innovative techniques in time for a test in 1993?

ANSWER:

Of the $1.5 million, about $250,000 would be used to begin planning for 1993 field tests of new census content, methods, technologies and field office structures. Initial analysis of innovative techniques is underway through the current work of the 21st Century Decennial Census Planning Staff and the Research, Evaluation and Experimentation activities planned as part of the 1990 census. We will have sufficient time and resources to plan appropriate field tests in 1993 if we receive sufficient additional funding in 1991.

QUESTION:

Based upon the lead times required for planning previous decennial censuses, when will the Bureau have to make final decisions on the design for the 2000 Decennial Census?

ANSWER:

The overall schedule for the 1990 Census was motivated by the need to conduct a true dress rehearsal of the 1990 methodology and automated systems in the spring of 1988. In order to plan and prepare for the dress rehearsal, we made most of the major design decisions in the fall of 1986. As a result of procurement and software lead-times and the volume of preparatory work, the implementation schedule contained very little slack or flexibility. Fortunately, we have experienced no serious delays for 1990. However, to reduce the risk and vulnerability of a very tight implementation schedule, we hope to make the major design decisions for the 2000 Census by the spring of 1996. These decisions will include: the data collection methods to be used, the office structure for data collection and processing, and the automated systems design to support all census activities. We must make some earlier decisions in the spring of 1995 about how we will prepare the address lists and geographic data files and materials. The law now requires final determinations on specific topics and questions to be included in the census in 1997 and 1998 respectively.

QUESTION:

The Bureau is requesting funds for research and development of methods to use administrative records and other techniques as supplements to the data provided by a basic decennial census. What experience has the Bureau had with the use of administrative records for this purpose? How cost effective was this procedure as compared to other census procedures?

ANSWER:

The Census Bureau's success with using administrative records has been highly dependent on the nature of the records system being investigated. For several decades, we have successfully used demographic analysis of administrative data to help evaluate the decennial census at the national level. Also, in some limited cases, we have used administrative data in place of individual responses to census questions; for example, debilitated patients in long-term care institutions. However, some attempts to use administrative data about individual persons across the nation have not been as successful. For example, in 1980 we attempted to use information from state motor vehicle licensing agencies and other sources to improve the accuracy of the counts. Evaluations indicated that this effort was not cost effective (over $75 per person added) compared to other census procedures; this procedure will not be repeated in 1990. In the future, advances in automation may lead to improvements in the cost and quality of administrative data and our ability to use them effectively in the decennial census program.

Geographic Support

The Bureau's goal for the geographic support system is to provide the basic maps, reference files, and associated processing systems needed to meet the geographic requirements of the periodic censuses and programs. In July 1989 the Bureau estimated it would spend about $330 million through fiscal year 1993 for its new automated system. The fiscal year 1991 budget request states (CEN-211) that the Bureau will begin to develop prototype systems to update the automated geographic files using information gathered in consultation with other Federal agencies as well as state governments. The Bureau anticipates the base funding for this program to increase beginning in fiscal year 1993.

QUESTION:

How many different prototype systems are being considered? How will they work?

ANSWER:

The Census Bureau, in planning for the maintenance of the automated cartographic and geographic data base it developed over the past 7 years, hopes to take advantage of the enormous growth in the use of digital cartography and geographic information systems (GIS) by other public and private-sector mapping organizations. The prototype systems we plan to develop are cooperative agreements with outside mapping organizations that involve digital cartographic data transfer and sharing. We already have begun exploratory discussions on potential cooperative agreements with three Federal and three state organizations interested in having and sharing the task of maintaining digital cartographic data bases; these organizations may be excellent sources of up-to-date map feature information that the Census Bureau can incorporate into its automated geographic files in a cost-effective manner. To further the likelihood that these prototype systems will succeed and have more general applications as a data base maintenance procedure, we have been participating actively in the national effort to implement a set of standards for the exchange of digital spatial data. This effort, sponsored by the National Institute of Standards and Technology within the Commerce Department, is being implemented technically by the U.S. Geological Survey with whom we maintain a close and cooperative working relationship.

QUESTION:

Recognizing the costs to develop the automated system were substantial, does the Bureau have any preliminary cost estimates for maintaining this system through the decade? Has the Bureau considered alternatives to maintaining this system, such as using geographic files maintained by other agencies (e.g., the U.S. Geological Survey)?

ANSWER:

The Census Bureau has made its fiscal year 1991 cost estimate for activities to maintain the automated geographic support system and is developing preliminary cost estimates for these activities that will occur in fiscal years 1992 through 1996. The Census Bureau expects to refine these preliminary cost estimates extensively once we have developed and executed the planned prototype agreements for transferring and sharing digital cartographic data with outside organizations; this approach to system maintenance is technologically and operationally quite different from the more labor intensive techniques used to build the automated geographic support system.

Our discussions to date have not identified any outside geographic file that could itself be used to meet the complex geographic support needs of the Census Bureau. No other Federal agency has more current nationwide coverage than the Census Bureau at this time. We are, of course, continuing our cooperative relationship with the U.S. Geological Survey and will continue to exchange digital data with that agency as newer information becomes available.

QUESTION:

How much of the cost of maintaining the geographic files will be offset by users' fees for geographic products? Will fees be comparable to the cost of buying these products elsewhere? What is the basis for determining the price of these products (e.g., incremental or full cost or fair market value)?

ANSWER:

It is unclear whether the costs to maintain the automated geographic support system will be recovered through user fees. The Census Bureau is currently making extracts of its automated geographic files available to public users, and is recovering only the costs of dissemination that Federal regulations permit, not the costs of developing or maintaining the system.

Data Processing Systems

The ADP portion of the fiscal year 1991 budget request (CEN-216) provides about $2.4 million for "continuing support for an automated geographic cartographic production system, which includes maintenance of previously acquired systems and the acquisition of remaining equipment components." This is the same activity that is described under the Geographic Support budget activity.

QUESTION:

Why are funds for maintenance requested under two different budget activities?

ANSWER:

The automated geographic support system is composed of the automated geographic data base itself, the software systems used to modify and use the data base for geographic support applications, and the hardware systems on which the data base is stored and manipulated. The funds associated with the geographic support system in the ADP portion of the FY 1991 budget request are related strictly to the maintenance of the system hardware; the funds in the Geographic Support budget activity are for the development and maintenance of data base, associated software, and related geographic programs.

QUESTION:

What type of equipment does the Bureau need to acquire to provide continuing geographic support for fiscal year 1991?

ANSWER:

The Census Bureau has no major equipment acquisition requirements to meet its commitments for providing geographic support services for FY 1991. We plan to use the funds in excess of those required for hardware maintenance to purchase limited quantities of hardware to support its development of prototype systems for the maintenance of the geographic data base.

Improving Foreign Trade Statistics

QUESTION:

The bureau is requesting an increase of $500,000 and 13 positions to improve foreign trade statistics. The justification for this request is a suspicion that a significant undercount of exports exists and that there is a need for a comprehensive program to assess and improve the quality of foreign trade data. Would the Bureau elaborate on the magnitude of the suspected undercount?

ANSWER:

Based on initial audits of export operations at four major airports, we estimate the value of export shipments by air missed in 1988 to be in the range of 5-10%, approximately $5 to $9 billion.

For 1988, if we assume the same export shipment ratio for the remainder of the export trade (i.e. for vessel shipments and for truck/rail shipments to Mexico), then the additional undercount could be in the range of $12 to $25 billion. The trade deficit for 1988 could then be less than $100.0 billion rather than $118.0 billion as recorded.

QUESTION:

What is the estimated effect of undervaluation and misreporting of exports on the quality of foreign trade statistics in the monthly balance of trade reports?

ANSWER:

If the above estimated undercount were applied to the latest monthly trade deficit (December 1989), the $7.0 billion deficit could be lowered by $1-2 billion.
Our experience with the undercount of exports to Canada has shown that the level of undercount varies from month-to-month. This variation could have a significant effect on the month-to-month changes in the trade balance.

QUESTION:

How does the bureau plan to address these problems with the resources it is requesting for FY 1991?

ANSWER:

The requested funding will be used to conduct more exhaustive follow up to the initial air audits and to conduct initial audits of major seaports and at Mexican border crossings. The results of these audits will be the primary source of information to help us determine where regulatory changes will benefit coverage and for extensive educational efforts in the exporting community. The results also will provide the U.S. Customs Service with information on where to place its limited resources for more accurate collection of export documentation and for enforcement of controlled merchandise leaving the United States.

LETTERS FROM SENATOR JEFF BINGAMAN

January 19, 1990

The Honorable Ernest F. Hollings
Chairman
Subcommittee on Commerce, Justice, State and Judiciary
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Fritz:

I write to request that a supplemental appropriation be made to the Census Bureau's FY 1990 budget, for the purpose of carrying out the Constitutionally mandated 1990 decennial census.

I am aware of the difficult choices which you made while drafting the Commerce, Justice, State, Judiciary appropriations bill for fiscal year 1990. Further, I understand that we are faced with very difficult budget constraints, and that certain cuts are necessary if we are to reach our goals of deficit reduction. I commend you for your successful effort.

However, as you know, the decennial census is an enormous undertaking, and it will have far reaching effects for the country in the decade to come. I am extremely concerned that the Census Bureau may not have sufficient funding to take the most accurate census possible. Already, certain coverage improvement programs have been eliminated to absorb the $57.6 million budget reduction. These coverage improvement programs are vital to the accuracy of the census, particularly for minority and rural populations. These historically undercounted groups will suffer greatly from an inaccurate count of their numbers. For example, the Census Bureau has already eliminated the Vacant/Delete program, which was expected to add 1.5 to 2 million persons to the census count. The majority of those added were expected to be minorities. I am afraid that other shortsighted management decisions are being made by the Commerce Department to reduce costs which will also have the effect of reducing the accuracy of the count.

I respectfully request that a supplemental appropriation be made to restore the $57.6 million to the Census Bureau's budget.

Thank you for your consideration of my request.

Sincerely,

Jeff Bingaman

Jeff Bingaman
Chairman
Subcommittee on Government
Information and Regulation

December 11, 1989

The Honorable Ernest F. Hollings
Chairman
Subcommittee on Commerce, Justice, State and Judiciary
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Fritz:

I am writing to express my concern about the Bureau of the Census' budget, and the impact of the recently enacted budget on the coverage improvement programs the Bureau has planned.

The General Accounting Office reports that the Census Bureau has eliminated certain coverage improvement programs due to inadequate funding. Of particular concern is the elimination of the Vacant/Delete program. The Vacant/Delete program was expected to add about 1.5 to 2 million persons to the census count. The Bureau expected most of those added to be minorities, who as you know, have been disadvantaged by undercounts in previous censuses. With undercount being such a serious problem, the Census Bureau's elimination of the Vacant/Delete program with its potential benefits for coverage improvement demonstrates poor judgement on the part of the Administration.

I believe it is essential to properly fund the Census Bureau so that it can take the most accurate census as possible. I would like to work with you to correct these problems and ensure that we have the best possible count. For your information, I am enclosing a GAO report which outlines the various coverage improvement programs and the estimated costs and benefits of each.

Sincerely,

Jeff Bingaman
Chairman
Subcommittee on Government
Information and Regulation

INTERNATIONAL TRADE ADMINISTRATION

United States and Foreign Commercial Service

QUESTION:

Mr. Secretary, last year, as you know, in large measure due to your personal efforts, we approved the full $6,000,000 requested by the United States and Foreign Commercial Service to recoup prior year exchange rate losses and inflation overseas. However, a number of my colleagues were troubled by calls from their Chambers of Commerce to the effect that if the full $6,000,000 was not appropriated, then the local Commerce field office would be closed. This message was apparently transmitted by the Director and staff of the US&FCS.

-- Since the US&FCS wants an increase of $11,000,000 for 1991, we need to know about your priorities. If we can't cover that additional amount, will the shortfall be at the expense of the domestic offices so that the foreign offices would be protected? If so, tell us how you arrived at that decision.

ANSWER:

Considering the extraordinary turbulence we saw in Eastern Europe last year and which continues on a course favorable to American business and the changes now occurring in Nicaragua and other Latin American countries, yes, the increase for US&FCS is among my highest priorities.

If the full amount of the increase is not granted, the US&FCS will not be able to perform or hire staff at the levels indicated in the President's budget request. Currently, we have no plans to close any district offices.

Of the net $10.1 million for program increases requested, the bulk, $7.9 million, is for staffing up in critical posts around the world. Each of our increase requests is independent (though Security is somewhat linked to our foreign operations increase request).

QUESTION:

The US&FCS is asking for $570,000 to "effectively allocate its District Office staff." The justifications indicate that this is the cost of moving 19 trade specialists to offices of significant export potential.

-- Please provide, for the record, a distribution by location of the 364 positions in Domestic Operations, and how you expect to have them assigned in 1991.

ANSWER:

To use the 364 positions in Domestic Operations for FY 1990, ITA has available 337 FTE. Of these 337 FTE, 34 are dedicated to ITA's administrative functions leaving the domestic field 303 FTE. Under current budget constraints, the US&FCS is able to afford to keep only 290 permanent, full-time positions filled. The distribution of these 290 positions are listed below.

We will use the $570,000 to cover one-time expenses necessary to relocate approximately nineteen trade specialist positions. They will be reassigned where our resources can be most effectively placed to reach the largest number of small and medium-sized firms with significant export potential. We have not as yet determined the specific changes which will be made, and will wait as long as possible to get the latest data for our resource allocation model. Once all data is entered into the model and the model is run, specific movement decisions will occur.

We anticipate that increased coverage will be indicated for most of the following: California, New England, Michigan, Illinois, Pennsylvania, New Jersey, New York, Texas and Ohio.

DISTRICT OFFICE POSITIONS
AS OF MARCH 19, 1990

DISTRICT OFFICE	POSITIONS	DISTRICT OFFICE	POSITIONS
REGION I:		REGION II:	
Boston	8	Charleston, WVA	4
Buffalo	6	Greensboro	11
Hartford	8	Columbia	4
New York	16	Louisville	5
Philadelphia	7	Nashville	5
Baltimore	5	Richmond	5
Pittsburgh	3		
Trenton	7		

DISTRICT OFFICE	POSITIONS	DISTRICT OFFICE	POSITIONS
REGION III:		REGION VI:	
Atlanta	5	Little Rock	4
Birmingham	7	New Orleans	4
Jackson	3	Houston	6
Savannah	3	Dallas	12
Miami	13	Oklahoma City	2
San Juan	3		

REGION VII:	
Chicago	13
Cincinnati	8
Cleveland	7
Detroit	10
Indianapolis	3
Milwaukee	5
Minneapolis	5

REGION V:	
Des Moines	5
St. Louis	7
Kansas City	5
Omaha	3
Denver	5
Phoenix	4
Salt Lake City	3

REGION IV:	
Anchorage	2
Honolulu	5
Reno	2
Los Angeles	10.5
Portland	6
San Diego	4.5
San Francisco	14
Seattle	7

TOTAL POSITIONS 290

QUESTION:

In other agencies with major operations overseas we have found that they amassed exchange rate gains in fiscal 1989 above the rates originally budgeted. For instance, the United States Information Agency reported a $5,500,000 net gain in 1989.

Did the US&FCS experience a similar gain in 1989; and if so, how much did it amount to and what was it used for?

ANSWER:

Our US&FCS overseas operations did experience exchange rate savings in fiscal year 1989, but these savings were more than offset by local inflation losses worldwide. The net loss worldwide from exchange rates and local inflation was just over $500,000.

Politics and Advisory Committees

QUESTION:

Mr. Secretary, I whole-heartedly agree with your remark at the University of South Carolina on Monday that "world competition is not a democratic or republican problem, it's a national problem." That's the way we won the military wars and the only way we can win the trade war.

Therefore, I am confused as to why the Under Secretary for International Trade, Michael Farren, asked your General Counsel if an inquiry could be made into the political affiliation of prospective candidates to advisory committees. Last August 25, the acting chief counsel found that the Trade Act does not explicitly bar inquiring into a candidate's political affiliation.

You say it not a partisan problem, and I agree. Why is it that Mr. Farren apparently thinks its a partisan problem?

ANSWER:

The policy of the Department of Commerce is to consider nomination of individuals to serve on trade advisory committees without regard to the political affiliation of the nominee. ITA asked the General Counsel to investigate the parameters of legal acceptability of making such inquiries. However, no such inquiries have been made nor are we considering making such inquiries a policy.

QUESTION:

Mr. Secretary, the International Trade Administration seems to be taking on the worst aspects of the State Department. For instance, in January 1989, the General Accounting Office noted that ITA's organizational structure included 23 Deputy Assistant Secretary positions and was plagued by poor trade event coordination and management. GAO recommended that ITA be reorganized and streamlined to reduce the number of operating units and to increase accountability and managerial control.

What steps have been taken to streamline ITA's organizational structure since the GAO Report was issued? Why does the ITA need 23 Deputy Assistant Secretary positions when overall staffing levels have declined over the last few years?

ANSWER:

Deputy Assistant Secretary positions are established in recognition of the importance of their negotiating and representational duties rather than upon their management responsibilities. Deputy Assistant Secretaries have frequent personal contact with high ranking offices of states, foreign governments, and private industry. It is essential that ITA's representatives have a personal rank commensurate with these officials and reflective of the importance of the subjects they discuss.

ITA established a task force, under the direction of the Deputy Under Secretary, to undertake a comprehensive review of trade event planning and management. The task force has completed its review and has recommended improvements in trade event planning, management and implementation and has defined the roles and responsibilities of each ITA unit. Among the recommendations made is one to implement a new, streamlined event planning process which reduces paperwork, focuses emphasis, shortens the planning cycle and improves flexibility. Another recommendation would increase and target management accountability by making the traditional event planning committee into a standing advisory group with all ITA elements represented. Additionally, it is recommended that the current performance appraisal system be used to start an incentive program for recruiters which would raise their status and visibility within ITA.

The recommendations have been adopted by ITA and are currently being implemented for the FY 1991 calendar of trade events. It is expected that these steps will improve the export promotion program (with particular emphasis on streamlining operations and enhancing productivity) and will obviate major reorganization.

QUESTION:

I recall that when Frank Weil was the head of ITA he established WITS, the Worldwide Information Trade System. That went through several renditions to what we now have called the Commercial Information Management System (CIMS). In an August 1989 report, GAO concluded that despite the expenditure of approximately $35 million, the ITA's Commercial Information Management System was experiencing major hardware, software, and data quality problems. How does the ITA propose to eliminate these system problems, and at what cost?

ANSWER:

ITA is in the process of reviewing recommendations of two CIMS studies which were recently completed. The studies have addressed both the strategic and technical information requirements of ITA's export promotion requirements. ITA will be preparing cost estimates for future funding based on these findings.

QUESTION:

Only $850,000 in additional funds is being budgeted to improve CIMS operability in FY 1991. GAO estimated that approximately $5 million in increased funds would be needed to complete the system, over the $5 million base budget. Explain how CIMS will be improved with this reduced funding.

ANSWER:

The $850,000 available in FY 1991 will support the initial stages of system improvement. We will be able to begin prototyping activities and purchasing some of the equipment required as a result of the recommendations contained in our recently concluded Technical and Strategic Reviews.

QUESTION:

Does the ITA have any plans to develop a cooperative or joint use arrangement for sharing some of its domestic export counseling staff with those of the Bureau of Export Administration and Small Business Administration?

Couldn't real dollar savings be achieved if duplicative services were provided through a cooperative approach?

ANSWER:

ITA management is negotiating with BXA and SBA to update and refine current agreements. Our intent is to avoid redundancy of international services to the exporting community. We advocate more clearly defined primary responsibilities among agencies that will result in efficient services to American exporters.

For example, in Portland, Oregon, BXA is in the process of establishing a field office that will be adjacent to the US&FCS Portland District Office. BXA and US&FCS feel that proximity will be useful to the local exporting community.

We have no way of assessing the actual cost savings of a greater cooperative approach.

QUESTION:

What plans does the ITA have to create new officer positions in the emerging markets in Eastern Europe? How will these positions be funded? What steps is the ITA taking to reconsider its post structure and staffing pattern? Does ITA currently plan to close or consolidate overseas posts that show limited market potential?

ANSWER:

We have received approval from the ambassadors and State Department to open U.S. and Foreign Commercial Service offices in Berlin (GDR) and Prague (Czechoslovakia) in the summer of 1990. We are also increasing Foreign Service National employee staffing in Warsaw, Budapest, and Bucharest. Our 1991 appropriations request asks for 32 positions for Eastern Europe and the necessary funding. The FY 1990 activity will be funded from within our current resources.

We use a resource allocation model to allocate our overseas resources. It is based on the export potential of the various markets we serve. At present, we have no plans to close or consolidate any offices, but we are always reevaluating.

At the beginning of 1985, we accomplished a major reprogramming which took us out of Bolivia, Czechoslovakia, Ghana, Liberia, Uruguay, Zaire, and Zimbabwe and allowed us to consolidate resources at posts with greater potential.

QUESTION:

What plans have been made to reallocate staff from the Office of Agreements Compliance when the President's steel program (VRAs) expires next year?

ANSWER:

We are committed to eliminate unfair trade practices in the steel sector. The bilateral consensus agreements currently in effect with U.S. major trade partners represent the first step in addressing the causes of trade problems in the steel sector. We are aggressively pursuing multilateralization of the commitments made under these bilateral agreements to stronger discipline in subsidies and market access. Upon expiration of the VRAs, the steel industry will still be able to seek relief under the antidumping and countervailing duty (AD/CVD) laws. If unfair trade cases are filed, the steel expertise developed in the Office of Agreements Compliance will be critical to investigating a wide range of steel products covered by the AD/CVD petitions.

It is also essential to note that OAC's primary function is to administer suspension agreements resulting from AD/CVD cases. OAC's broad range of functions have grown to include administration of: (1) all AD/CVD suspension agreements; (2) all bilateral steel consensus agreements; (3) all steel VRAs; (4) machine tool VRAs with Japan and Taiwan; (5) the tungsten VRA with the People's Republic of China; and (6) the monitoring of brass sheet and strip and color television receivers under the persistent injurious dumping provision of the Trade and Tariff Act. OAC continues to perform the original tasks for which it was created, and also assumes an ever-increasing proportion of Import Administration's growing AD/CVD workload.

QUESTION:

How many detailees does ITA provide to other agencies and at what cost?

ANSWER:

We currently have one employee detailed to another agency. Ruth Waller, a Schedule C, Grade-13 employee earning $44,027 a year is detailed to the White House.

QUESTION:

Is there a real need for the nine regional managers in US&FCS's domestic staff structure? Is this additional bureaucratic layer really necessary?

ANSWER:

The ITA domestic regional management structure was realigned on January 8, 1990, with seven regions. The seven regions will result in improved management of domestic operations along geographic trade lines.

The domestic regional management structure should not be interpreted as an additional bureaucratic layer. In fact, this structure is in concert with the Department's policy of decentralized administrative functions through the five Regional Administrative Support Centers (RASCs). The RASCs are charged with handling the daily administrative workload of the Department's vast domestic field operations, including those of ITA.

It is accepted field operations management practice to place routine management/administrative oversight responsibilities on a regional basis that allows for program flexibility while providing closer management control, locally and nationally. With the Regional Managing Directors (RMDs) reporting directly to the Deputy Assistant Secretary for Domestic Operations, the management mechanism is readily available to implement ITA and Departmental policies and initiatives. They maintain regular contact with US&FCS headquarters through various reporting requirements, bi-weekly conference calls with the DAS, and quarterly regional meetings.

The Regional Managing Directors are responsible for the day-to-day operations of the domestic offices including first-line management of US&FCS programs and services through the Management Performance and Planning Appraisal System, financial management of district offices, space management, purchasing, routine personnel activities including performance plans and ratings, incentive awards, equal opportunity programs, the grievance process, as well as limited hiring authority and training of employees. They serve as the liaison with the respective Regional Administrative Support Center (RASC) on the entire range of administrative activities handled on behalf of the Department at the RASCs.

Rather than adding a "bureaucratic" layer, the domestic regional management structure allows for increased management oversight. The system also benefits the American business community as a result of the domestic offices ability to adapt to commercial and geographical differences that are difficult to recognize from Washington.

QUESTION:

Given the questions that have been raised by GAO and others about the effectiveness of the US&FCS's in-house evaluations, known as Management and Program Reviews, what plans have been made to refocus and improve the program? Does the ITA still plan to complete eight of these reviews as indicated on page 123 of the budget submission?

ANSWER:

Preliminary indications from the Strategic Review suggest we need to refocus our reviews to increase emphasis on program issues and on addressing management priorities. The Strategic Review is ongoing and specific recommendations are not yet determined. We are reassessing these reviews and do not expect eight on-site reviews this year. However the importance of assessing both our programs and our management controls is a priority.

QUESTION:

Market research is an important tool ITA personnel use to identify areas with high export growth or potential. In 1989, 135 contractual market research studies were completed (P. ITA-123). Why are there no plans to complete any contractual market research studies in FY 1991 (P. ITA-123)?

ANSWER:

FY 1991 funds have not been allocated for contractual market research because of other high priority needs in the US&FCS. However, our overseas posts will continue to produce market research reports with in-house personnel. In FY 1990, for example, 350 Industry Sector Analyses are scheduled to be prepared by in-house resources.

Materials Research Center

QUESTION:

The Budget again proposes to eliminate the funding of the Materials Research Center. That is an interest of our House colleagues. In order that we may be better informed about the Center, please provide:

1. A summary of the activities of the Center.
2. A summary, by each fiscal year, of the appropriations for the Center, the grants to the Center, and how much of each grant was spent.

ANSWER:

1. A summary of the activities of the Center for Advanced Technology Development (CATD) follows:

1987

Initiated four intermediate range applied research projects:

1. NdFe Magnet Alloy Production
2. Unipolar Ultrasonic Instrument for Non-Destructive Evaluation (NDE)
3. Thin-Film Resonators for Microwave Applications
4. Photoacoustic Detection Accessories for FTIR

1988

Continued projects 1-4 above and initiated six new research projects:

1. Powder from NdFeB
2. Cu-Refractory Alloys
3. Transient Infrared Emission Spectroscopy (TIRES)
4. Texture Measurement Instrument
5. X-Ray Radiograph Image Analyzer
6. Random Event Single Ion Mass Spectrophotometer (RESIFT)

1989

Continued the 10 projects above and initiated nine new projects:

1. Silicon Carbide Fiber from Polymers
2. Optical Fiber Sensors for Waste Stream Monitoring
3. Self-Calibrating Eddy Current Instrument for NDE
4. Cu-Chromium Metal Matrix Composites
5. Chevrel Phase Catalysts for Hydrodesulfurization
6. Software for Dynamic Simulation Analysis for 3D structures
7. Surface Modification of Materials Through Ion-Implantation
8. Plastic Reinforcing for Concrete
9. Linear Array Detector for Ionizing Radiation

Initiated the demonstration project Injection Molding of Permanent Magnets from NdFeB Powder.

1990

Received and currently reviewing 24 new project proposals.

The status of CATD commercialization as of February 15, 1990 is:

- 22 projects initiated since July 1987
- 4 projects completed as of July 1989
- 6 projects scheduled for completion July 1990
- 10 projects scheduled for completion July 1991
- 2 projects terminated early for market or technical reasons
- 2 projects licensed
  - Ames Specialty Metals (ASM)
  - RESIFT, Incorporated
- 3 projects committed under terms of license options
  - Ames Specialty Metals (ASM)
  - Engineering Animation Incorporated
  - Composite Technologies Corporation
- 1 project currently in license negotiations
  - fall-back licensee also identified
- 4 NDE instrument projects currently being considered as a single commercial opportunity
- 1 project previously commercialized by MTEC, Inc.
- 24 new project opportunities under consideration for possible start July 1990

2. The funding summary for CATD follows:

1987
Amount Appropriated: $3,500,000
Amount of Grant: $3,500,000
Amount Spent: $3,500,000

1988
Amount Appropriated: $3,840,000
Amount of Grant: $3,685,000
Amount Spent to date: $1,932,000

1989
Amount Appropriated: $3,300,000
Amount of Grant: $3,248,000
Amount Spent to date: $1,149,000

1990
Amount Appropriated: $2,960,000
Amount of Grant Proposed for 1990: $2,871,200
Amount Spent: N/A

BUREAU OF EXPORT ADMINISTRATION

Historic Changes in Eastern Europe and the USSR

QUESTION:

The historic changes in Eastern Europe and the Soviet Union and the need in those countries to obtain western technology have stirred debate among our allies on the extent to which western controls on high technology should be loosened. Western European countries are pressing for significant relaxation in technology controls. In your view, to what extent should controls be loosened at this time, and what would signal an appropriate time for any further loosening of controls? What are the implications of these changes for the future of export controls?

ANSWER:

Liberalization of controls should occur after a consensus has been reached with our COCOM allies regarding how to address the historic changes and their anticipated impact in Eastern Europe and the Soviet Union. The implications of these changes for the future of export controls include: (1) a reduced number of license applications; (2) the possibility of higher levels of strategic trade with proscribed countries; and (3) the need for monitoring the procedures that the Soviet Union and Eastern Europe establish to ensure that Western technology is used only for legitimate civil purposes.

The Administration is in favor of liberalizing export controls in a timely, coordinated approach. The extent to which commodities will be decontrolled for export to Eastern Europe and the Soviet Union is dependent upon the multilateral review process in COCOM with our allies.

At a special Executive Committee meeting of COCOM in mid-February, it was agreed to intensify the streamlining effort to shorten the list of controlled commodities. Specifically, technical review groups are now meeting in Paris to develop proposals to liberalize controls for computers, telecommunications and machine tools. In addition, it was decided to speed case processing in COCOM by reducing the review period by one-third (from twelve weeks to eight weeks).

The U.S. position on the extent of liberalization that we can support depends on two considerations. First, the President ordered a National Security Strategic Review to assess the changing strategic threat posed by events in Eastern Europe and the Soviet Union.

Second, the U.S. is encouraging the East Europeans to adopt safeguards to protect Western technology from diversion to military programs. The implementation of safeguards would provide government assurances against misuse, thereby making further relaxation of export controls possible. We expect to achieve an understanding in these areas during the next high level COCOM meeting in early June.

Liberalizing our export controls increases the risk that some strategic technology authorized for civilian use may be diverted. However, this risk must be weighed against our long-term interest in supporting economic and political reform now underway in Eastern Europe. Safeguards would minimize the risk of diversion while simultaneously encouraging economic development.

Electronic Licensing System

QUESTION:

The Bureau of Export Administration has instituted an electronic licensing system for the submission of license applications. How many licence applications are now being submitted electronically? What are the implications for the bureau's budget needs?

ANSWER:

In this fiscal year (October through February) 7,789 of the 30,604 license applications submitted (26%) have been received via the electronic system. In dollar terms this represents $13 billion in export license applications.

To date this has resulted in a significant reduction (savings) in the level of data entry contract positions. We are also seeing a downward trend in the overtime required to operate the export licensing process. The resource base in this area continues to shrink as reductions via other Federal cost savings initiatives (Gramm-Rudman-Hollings, pay absorptions, etc.) get implemented. Efficiencies in the electronic system have helped us absorb these reductions.

Artificial Intelligence

QUESTION:

To what extent does the export license application review process lend itself to the use of "Expert Systems," i.e., artificial intelligence, to either make or assist in the making of licensing decisions? What efforts are underway in this area? What is their anticipated cost and estimated future budgetary impact?

ANSWER:

Our export license processing system is automated and the use of artificial intelligence has been considered. However, it was determined by Export Administration that it was inappropriate for use in this area. There are no plans to use it in license analysis and decision making.

Reduced Control List

QUESTION:

The United States recently advanced some proposals for reducing the scope of controls for several important technologies. What is the status of such efforts? How would a substantially reduced control list affect the Bureau of Export Administration's budgetary needs?

ANSWER:

Technical review groups are meeting in Paris to develop proposals for liberalizing export controls in the area of telecommunications, machine tools, and computers. We anticipate that specific proposals resulting from these working sessions will be introduced and discussed at the COCOM Executive meeting in June.

It is premature to estimate the impact a reduced control list would have on BXA's budgetary needs. We will be in a better position to assess the budgetary impacts once the current COCOM streamlining exercise is completed and policy concerning Intra-COCOM and East European trade is in place.

Regional Offices

QUESTION:

The Bureau of Export Administration opened a western regional office in Southern California in 1988 and is opening several other offices. Since these offices have no licensing authority, how have they contributed to the Bureau's efficiency?

ANSWER:

BXA is opening three offices as mandated by Congress. BXA personnel will be available to respond to questions from exporters relating to the export licensing process. BXA personnel will provide assistance to exporters in preparation of license applications, interpreting export control regulations, and providing technical advice on how to electronically submit license applications.

General Licenses

QUESTION:

Over the past several years, a number of general licenses have been introduced, eliminating the need to obtain individual validated licenses. As a result, the number of individual license applications have correspondingly declined. How has this reduction affected the numbers of licensing officers needed and their reviews of specific license applications? What impact has the profusion of such licenses had on the export communities' ability to comprehend and comply with export control requirements?

ANSWER:

Expansion of General License authorizations has reduced the number of simple Individual Validated License (IVL) applications. The IVLs eliminated relatively little analytic or interagency review.

The increase of the use of general licenses will continue to hold the exporter accountable for complying with export control requirements but will make it easier on the exporter because less paperwork is required. Use of both general licenses and individual validated licenses require exporters to keep abreast of all regulatory requirements.

BXA Representative to COCOM

QUESTION:

The United States and its allies have cooperated in controlling high-technology exports for almost 40 years. During this time the United States has been the dominant party in setting export control policy and determining what to control. Some of our allies are now at technological parity with us and even technical superiority for some technologies. Often the United States has been isolated in COCOM on important policy issues.

Last year the committee directed that a Commerce representative be assigned to COCOM. The U.S. ambassador to the OECD turned down Commerce's request to station someone at COCOM. Has Commerce appealed Ambassador Lamb's denial to the Secretary of State?

ANSWER:

No. We are in the process of determining what additional steps can be taken to carry out the stated wishes of the Senate. During the past year and a half, DOC has supplied the State Department with substantial information on the necessity of filling this position.

BXA has set aside $150,000 for the DOC representative and we have identified a number of qualified candidates for the position, should State ever approve this position.

QUESTION:

The President is the ultimate arbiter of interagency disputes on export control matters. In the Reagan Administration and now in this administration narrow export control decisions, as well as broad policy issues, occasionally came before the President and his top aides, often because Defense objected to Department of Commerce actions. How do you intend to control demand on the President's time?

ANSWER:

The Department of Commerce is working closely with the Departments of Defense and State to minimize the likelihood that Presidential arbitration will be required on export control matters. We have made significant progress in this regard, as evidenced by the fact that President Bush has not yet been required to personally intervene in disputes between the agencies on export control matters. Also, we believe the current COCOM streamlining process as well as ongoing discussions between the agencies will limit Presidential involvement to only those instances when truly precedent setting actions are contemplated.

QUESTION:

The Office of Export Enforcement is requesting a $15 million dollar budget and 201 positions. It has 8 field offices. Your budget submission, however, indicates few prosecutions or convictions and fines of only $642,000 in 1988. Why have you had such limited success in your enforcement activities? What other factors would you suggest be taken into account in reviewing whether this office's accomplishments merit a $15 million dollar budget?

ANSWER:

The $15 million budget request and the 201 positions are for all of the activities of the Assistant Secretary for Export Enforcement, not just the eight Export Enforcement field offices. This amount funds the Office of the Assistant Secretary, the Office of Antiboycott Compliance, the Office of Enforcement Support (previously called the Office of Export Intelligence), the headquarters staff of the Office of Export Enforcement (including eight field offices), two overseas attaches and a prorata share of administrative support and centrally funded support costs (phones, space, etc.).

The mission of the Office of Export Enforcement (OEE) is to prevent potential violations of the Export Administration Act. It performs this mission in many important ways which do not always involve prosecutions or sanctions. For example, through its field offices, we contact exporters to educate them about the export control laws. We seek their compliance, and ask their help in prevention by reporting suspicious circumstances to OEE. This "Outreach" program is very successful and has helped promote a standard of American industry compliance which is substantial.

Further, OEE spends much of its time applying information it receives to the license application process. OEE identifies the license applications it is interested in, reviews those licenses in light of the information which it has developed, and makes recommendations based upon that information to the Office of Export Licensing. These activities, which often do not lead to a prosecution or administrative action, are vital to the national security since they prevent licenses from being issued when a violation of the EAA is likely. In fiscal year 1989 enforcement license reviews precluded the export of controlled goods valued at $250 million. We suspect that these goods would have been diverted or otherwise shipped in violation of the Export Administration Regulations.

Finally, we investigate and prosecute criminal and administrative cases. Investigating export control violations is difficult. The flow of cases is subject to factors outside of the control of the investigators. Thus, we have found that our sanctions tend to fluctuate. This is particularly true of criminal fines which tend to be low because they frequently accompany incarceration with a criminal conviction. Many district judges believe that the incarceration and conviction are sufficient penalties and do not add significant fines.

Administrative penalties that are substantial and effective are also available to OEE. In FY 1988, fines in export control administrative cases totalled $1.1 million. In FY 1989, administrative fines dropped to $383,000 but less than half way through this fiscal year, administrative fines are $645,000.

Another vital sanction which is available to OEE is the denial of export privileges. An order denying export privileges prevents the respondent from legally participating in an export transaction involving U.S. goods. The denial order is the most effective sanction against persons overseas who divert U.S. technology. In FY 1988, 54 parties were denied export privileges. In FY 1989, 28 were denied and so far in FY 1990, 27 parties have been denied export privileges.

ECONOMIC DEVELOPMENT ADMINISTRATION

EDA Planning Grants

QUESTION:

Mr. Secretary, I appreciate the recognition that EDA gave to the impact of Hurricane Hugo in South Carolina's Planning Districts. So I don't want to appear ungrateful, but late last year we heard that the

Department was making substantial changes to the EDA Planning Grant Program. The Majority Leader, as well as a large number of senators, wrote me of their concerns of the changes planned, particularly since no public notice was given of the changes. I was glad to be advised by the Department that these changes had not been cleared with your office and that any changes would be submitted by way of a reprogramming notification.

We were also advised that the grants would be renewed at the 1990 level, less sequester. Now we find that this has been interpreted by the Acting Assistant Secretary for Economic Development to only hold at the overall level and EDA is making changes in a majority of the grants.

When we asked about this we were told a couple of horror stories about how a Mississippi District got some extra money due to Hurricane Camille 20 years ago and was never reduced; and how Seattle got some extra money from when their unemployment was so high.

1. Those are egregious situations, and undefensible, but why did it take Commerce so long to identify them?

2. I am troubled about these pluses and minuses elsewhere. EDA is cutting some of the Districts two-to-three thousand, and then raise others by like amounts. Are there real programmatic reasons for all these changes, or is this someone trying to prove who's boss?

[The Subcommittee received a letter from Senator Tom Daschle enclosing a letter dated March 5, 1990 to Secretary Mosbacher signed by 13 Senators. As requested, the letter is being made part of the record and follows the EDA questions.

Senator Daschle and his cosigners feel that the redistribution of the planning grants contradicts the previous understanding they had with the Department. That is the same understanding that we had that all the grants would be the same as 1989 less the sequester.]

ANSWER:

While an inordinate amount of time elapsed, these isolated issues have now been corrected.

In an attempt to provide for better standardization across regional lines and to develop a more fair and equitable system for determining individual district funding levels within the program appropriations made available, EDA considered a number of variables to be utilized in the determination of funding levels, which included many variables other than just distress of the area. The final determination of individual planning grant levels for FY 1990 is consistent and in accordance with the established methods and policies used in previous years. Organizations receiving funds under the planning program will continue to be evaluated on an annual basis. Grant levels will continue to be adjusted based on grantee performance, distress of the area being served, special needs of the area, and availability of program funds.

National Association of Development Organizations

We also have a letter from Terence Stone, President of the National Association of Development Organizations that will be made part of the record. (This letter also follows the EDA questions.) Mr. Stone points out that this amounts to more than $2,000 here and there. He says that 90 districts will have their funding changed by 10 percent or more.

Mr. Stone encloses a memorandum from Assistant Secretary Collamore to James L. Perry, which is the basis of the earlier understanding that the grants would be the same as 1989 less the sequester.

QUESTION:

Why is Acting Assistant Secretary for Economic Development, James L. Perry, not complying with the January 18, 1990 Memorandum from Thomas J. Collamore, Assistant Secretary for Administration, which says that district and area planning grants should be funded at the same level in 1990 as in 1989, less only the sequester amount of 1.38 percent?

ANSWER:

EDA is implementing its program consistent with the FY 1990 Appropriations Act and last year's process. The total program amount available in FY 1990, after taking into account the mandatory sequester, is $15.1 million, slightly less than last year's total of $15.3 million. In addition, EDA management is redirecting some $560,000 from other grant programs to provide a total level of $15.7 million. Consequently, EDA is providing more for planning grants than the amount Congress approved. FY 1990 operative criteria were as follows:

- o responsiveness of the proposed work program to program regulations;
- o economic distress of the area served by the applicant;
- o past performance of currently funded applicants;
- o local leaders' involvement in applicants' economic development activities;

- o amount of local funding provided to match Federal dollars.

QUESTION:

By what authority is EDA making major policy changes in the economic development district programs for 1990?

ANSWER:

No substantial changes have been made in the economic development district program in Fiscal Year 1990. The program is being implemented in full compliance with Public Law 101-162 and last year's process.

QUESTION:

Why has there been no public notice of proposed changes in the economic development district programs or consultation with the Congress or grantees regarding these changes?

ANSWER:

No public notice has been given as there are no substantial changes intended or contemplated for the economic development district programs. However, the establishment of program funding levels to remain within the program appropriations and to cope with the Gramm-Rudman-Hollings sequestrations were discussed with Congressional staff on several occasions.

QUESTION:

Why is EDA not consulting with regional office staff in making changes in the district planning grants?

ANSWER:

Planning grant levels to district and area grantees were determined in consultation with EDA's regional offices. Each individual grantee was discussed between the Headquarters staff and the regional office's staff, and their recommendations were taken into account prior to establishing individual funding levels.

QUESTION:

If changes in district funding are just the result of improved management, why has there been no opportunity for public review and comment before these new policies are implemented?

ANSWER:

There has been significant misunderstanding of EDA's programmatic objectives and actions taken by the Agency.

The adjustments were made to individual grantee funding levels in FY 1990, as in prior years, to correspond to program management and not to policy or procedural changes. If EDA decides to propose major policy changes in the administration and implementation of the district and area program, we will fully comply with the procedures of public notices requesting review and comments as well as requesting the advice and consent of Congress.

LETTER FROM SENATOR TOM DASCHLE

March 5, 1990

The Honorable Robert A. Mosbacher
Secretary
Department of Commerce
Herbert C. Hoover Building
Washington, D.C. 20230

Dear Mr. Secretary:

On December 7, 1989, we wrote you regarding our concern about the Economic Development Administration's (EDA) decision to arbitrarily cut FY 90 funding to many local planning districts throughout the country.

In response, we received assurances from Department and EDA officials that the funds for the planning districts would be allocated in a manner similar to the FY 89 distribution. Specifically, our staffs were notified that EDA had decided to follow the funding formula from fiscal year 1989, less the FY 90 sequestration mandated by Gramm, Rudman, Hollings. In addition, we were informed that any future attempt to revise the formula would involve opportunity for full public comment. This response was well received, particularly given the intensity of the concern that EDA's proposed revisions were made without either Congressional input or, more importantly, opportunity for public comment.

Recently, we received a letter from Acting EDA Administrator James L. Perry describing the distribution formula EDA proposes to implement this fiscal year. That letter appears to contradict the understanding we felt we had with your Department and the EDA.

In his letter, Mr. Perry states that FY 90 funding levels will be close to the FY 89 allocations, but certain exceptions may be implemented. We are concerned that with this caveat, EDA appears to again be opening the door to funding revisions that do not meet congressional intent as outlined in the FY 1990 State/Justice/Commerce Appropriations Act and that will not be subject to full public comment. To better illustrate our concern, we have enclosed a copy of EDA's most recent proposed funding levels and a comparison of those levels with the previous year's level for each planning district.

The contribution that local planning districts have made to community development during the past two decades cannot be overstated. Executive branch decisions that affect funding levels for these entities and place some planning districts at risk should not be finalized or implemented without the benefit of public input.

While we continue to recognize that certain reallocations in FY 90 funding may, in fact, be justified, those adjustments should be subject to normal administrative procedures of notice and comment. Therefore, we request your reconsideration of the Acting Assistant Secretary for EDA's decision to arbitrarily reduce funding for certain local planning districts.

Thank you for your prompt attention to our concern.

Sincerely,

Tom Daschle

Quentin Burdick

Richard Bryan

Jim Jeffords

Harry Reid

James Sasser

Daniel Patrick Moynihan

Kent Conrad

Larry Pressler

Dale Bumpers

Patrick Leahy

Albert Gore, Jr.

Terry Sanford

LETTER FROM SENATOR TOM DASCHLE

March 7,1990

The Honorable Fritz Hollings
Chairman
Subcommittee on Commerce, Justice,
 State, and Judiciary
S146
United States Capitol
Washington, D.C. 20510-6027

Dear Mr. Chairman:

I am writing to let you know of the continuing concern of a number of senators regarding the Economic Development Administration's (EDA) decision to implement revisions in FY 90 funding to planning districts across the country. I am enclosing a copy of the most recent letter delivered to Secretary Mosbacher that discusses the mutual concerns of the 13 cosigners to the letter.

On behalf of these senators, I would appreciate your inserting the text of the enclosed letter in the record of your subcommittee hearing on March 8, 1990. If you have any further questions regarding this matter, please do not hesitate to contact me.

With best wishes, I am

Sincerely,

Tom

Tom Daschle
United States Senate

LETTERS FROM TERENCE STONE

March 7, 1990

The Honorable Ernest F. Hollings
United States Senate
125 Russell Office Building
Washington, DC 20510

Dear Senator Hollings:

The members of the National Association of Development Organizations (NADO) urgently request that the Senate Appropriations Subcommittee on Commerce, Justice, State and the Judiciary direct Commerce Secretary Mosbacher to administer the programs of the Economic Development Administration (EDA) in accordance with the law. Acting Assistant Secretary for Economic Development James L. Perry is currently implementing new policy regarding fiscal 1990 funding of economic development districts. This policy change is in direct conflict with the following language in Public Law 101-162:

"... That the Secretary of Commerce or his designees shall not promulgate or enforce any rule, regulation, or grant agreement provision affecting programs authorized by the Public Works and Economic Development Act of 1965, as amended, unless such rule, regulation, or provision is either required by statute or expressed as the explicit intent of the Congress or is in substantial conformity with those rules, regulations and provisions in effect prior to December 22, 1987."

Despite this clear legislative prohibition against changing the programs of the Economic Development Administration (EDA) without specific congressional approval, Acting Assistant Secretary Perry has arbitrarily decreased and increased the fiscal 1990 amounts provided to economic development districts. Mr. Perry has instituted a new district planning grant policy without any opportunity for review and comment by Congress or any of the affected grant recipients. His program changes include cuts well beyond the 1.38 percent reduction required by the Gramm-Rudman-Hollings law.

Of the 291 economic development districts, Mr. Perry has arbitrarily decreased funding to 111 (38 percent); has increased funding to 71 (24 percent); and left 109 (37 percent) the same. Mr. Perry claims that the majority of districts will be cut in fiscal 1990 by $2000 due to sequestration, yet only 42 districts are being cut by that amount. Instead, EDA is making policy change under the guise of sequestration and improved management. Under the new policy, 90 districts (31 percent) will have their funding levels changed by ten percent or more; this is not "management improvement" but a significant change in current policy. (See list of district funding for 1989 and 1990.)

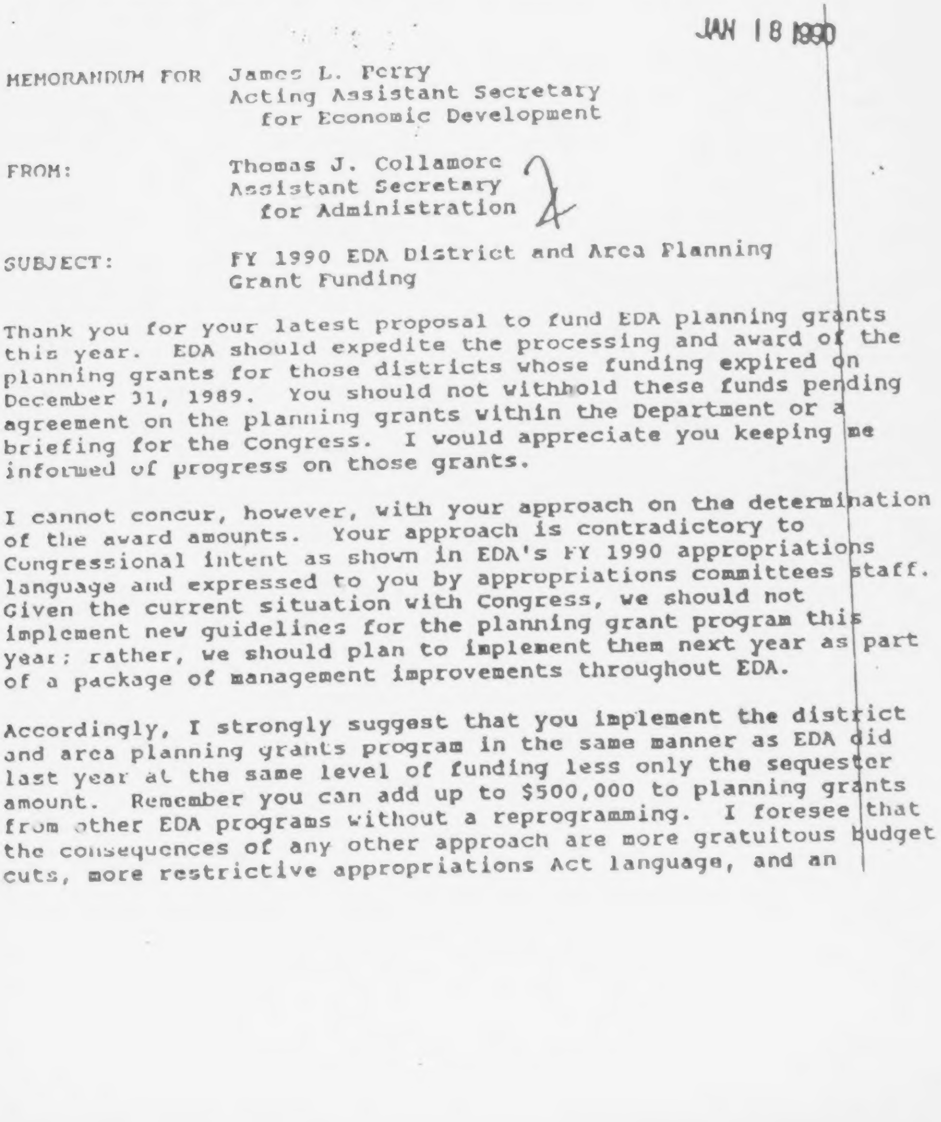
The Acting Assistant Secretary is in direct violation of Department's own policy as specified in the enclosed memorandum to Perry dated January 18, 1990 from Thomas J. Collamore, Assistant Secretary for Administration which states: "I cannot concur, however, with your approach on the determination of award amounts. Your approach is contradictory to Congressional intent as shown in EDA's 1990 appropriations language and expressed to you by appropriations committee's staff. ...Accordingly, I strongly suggest that you implement the district and area planning grants program in the same manner as EDA did last year at the same level of funding less only the sequester amount."

Although the amount of the grants are small in terms of the federal budget, these funds are vital to the continued survival of many economic development districts. The changes in funding are clearly designed to destabilize and disrupt the district program which is the grassroots planning and delivery system for EDA. Congress continues to fund EDA and the agency should be run in an effective and professional manner.

Mr. Perry is in violation of the P.L. 101-162 which was passed by the Congress and signed by the President on November 21, 1989. He is acting in an arbitrary and capricious manner with no review, comment or notice to Congress or grantees and is attempting to cripple EDA and districts. We respectfully request your Subcommittee to direct that districts be funded in fiscal 1990 at the same level as 1989 less sequestration, as directed in the January 18, 1990 memorandum.

Sincerely yours,
Terence Stone
Terence Stone
President

MEMORANDUM FROM THOMAS J. COLLAMORE



JAN 18 1990

MEMORANDUM FOR James L. Perry
Acting Assistant Secretary
for Economic Development

FROM: Thomas J. Collamore
Assistant Secretary
for Administration

SUBJECT: FY 1990 EDA District and Area Planning Grant Funding

Thank you for your latest proposal to fund EDA planning grants this year. EDA should expedite the processing and award of the planning grants for those districts whose funding expired on December 31, 1989. You should not withhold these funds pending agreement on the planning grants within the Department or a briefing for the Congress. I would appreciate you keeping me informed of progress on those grants.

I cannot concur, however, with your approach on the determination of the award amounts. Your approach is contradictory to Congressional intent as shown in EDA's FY 1990 appropriations language and expressed to you by appropriations committees staff. Given the current situation with Congress, we should not implement new guidelines for the planning grant program this year; rather, we should plan to implement them next year as part of a package of management improvements throughout EDA.

Accordingly, I strongly suggest that you implement the district and area planning grants program in the same manner as EDA did last year at the same level of funding less only the sequester amount. Remember you can add up to $500,000 to planning grants from other EDA programs without a reprogramming. I foresee that the consequences of any other approach are more gratuitous budget cuts, more restrictive appropriations Act language, and an unnecessary deflection of the Secretary's efforts during the appropriations hearings.

Concurrence ________ Counsellor

1/18/90

cc: Fritts

DRAFT 3/5/90

ECONOMIC DEVELOPMENT DISTRICT PLANNING GRANTS 1989 - 1990

PAGE	EDA REGION	NO. DISTRICTS	NO. DECREASED	NO. INCREASED	NO. SAME
1 - 2	AUSTIN	44	- 11 (25%)	+ 24 (55%)	9 (20%)
3 - 5	ATLANTA	79	- 30 (38%)	+22 (28%)	27 (34%)
6 - 7	CHICAGO	47	- 20 (47%)	+ 4 (9%)	19 (44%)
8 - 9	DENVER	47	- 11 (23%)	+ 6 (13%)	30 (64%)
10 - 11	PHILADELPHIA	50	- 24 (48%)	+ 9 (18%)	17 (34%)
12	SEATTLE	28	- 15 (54%)	+ 6 (21%)	7 (25%)
	TOTAL	291	- 111 (38%)	+ 109 (37%)	71 (24%)

AUSTIN REGION

SCDC	1989	1-1	4-1	7-1		IMPACT
ARKANSAS						
West Central P&D District	65,000		62,000			-3,000
Western Arkansas P&D District	67,000			58,000		-9,000
Southwest Arkansas P&D	60.000			60,000		-0-
Central Plng. & Dev. District	62,000			55,000		-7,000
Northwest Arkansas EDD	59,000		58,000			-1,000
Southeastern Arkansas EDD	68,000			62,000		-6,000
White River P&D District	57,000			60,000		+3,000
East Arkansas P&D Commission	57 000			60,000		+3,000
LOUISIANA						
Capital EDD	58,000			58,000		-0-
Coordinating Council	57,000		60,000			+3,000
Evangeline EDD Council	56,000		60,000			+4,000
Kisatchie-Delta RPDD	54,000	55,000				+1,000
North Delta RP&DD	60,000		60,000			-0-
South Central P&D Commission	50,000		55,000			+5,000
Imperial Calcasieu RPDC	50,000		55,000			+5,000
NEW MEXICO						
North Central N.M. EDD	60,000		60,000			-0-
Southeastern N.M. EDD	57,000	58,000				+1,000
Eastern Plains COG	50,000		52,000			+2,000
Middle Rio Grande COG	35,000		40,000			+5,000
Southwest N.M. COG	45,000		50,000			+5,000
N.W.Mexico COG	0		55,000			+55,000
OKLAHOMA						
Grand Gateway	61,000			62,000		+ 1,000
Southern (S.O.D.A.)	60,000			60,000		0
South Central Assn. Government	58,000		55,000			-3,000
COEDD (Central O.K. EDD)	58,000			55,000		-3,000
Eastern Oklahoma Dev. District	62,000			60,000		-2,000
Southwestern Oklahoma Dev. Auth.	50,000		50,000			-0-
Kiamichi EDD of Oklahoma	60,000			60,000		-0-
Northern Oklahoma Ed. Assn.	44,000		45,000			+1,000
TEXAS						
Gulf Coast	75,000			60,000		-15,000
Central Texas EDD	69,000		66,000			-3,000
Northeast Texas EDD	58,000	60,000				+2,000
Capital Area Planning Council	50,000		47,000			-3,000
West Central Texas	0			50,000		+50,000
South Plains Assn. of Gov'ts.	50,000			50,000		-0-
Alamo Area Council of Gov'ts.	50,000			50,000		-0-
Pankandle Reg. Plng. Commission	44,000		45,000			+1,000
Texoma Reg. Plng. Commission	47,000		50,000			+3,000
Brazor Valley Dev. Council	46,000		50,000			+4,000
Lower Rio Grande Valley	60,000		60,000			-0-
Deep East COG & EDD	50,000		55,000			+5,000
West Texas COG	49,000	50,000				+1,000
Coastal Bend COG	47,000		55,000			+8,000
Middle Rio Grande	54,000	55,000				+1,000
South Texas Dev. Council	45,000		60,000			+15,000

ATLANTA REGION

SCDC	1989	1-1	4-1	7-1		IMPACT
ALABAMA						
South Central Dev. Commission	60,000		58,000			-2,000
Southeast RPDC	57,000		55,000			-2,000
East Alabama EDD	50,000			50,000		-0-
North Central EDD	50,000			50,000		-0-
South Alabama EDD	50,000			50,000		-0-
Top of Alabama Reg. COG	50,000			48,000		-2,000
West Alabama EDD	50,000			50,000		-0-
Alabama-Tombigbees River	57,000		60,000			+3,000
FLORIDA						
Apalachee RDC (Dist. 2)	51,000		50,000			-1,000
North Central Reg. III	51,000		50,000			-1,000
Central Florida RDC (Dist. 7)	50,000		50,000			-0-
GEORGIA						
Georgia Mountains P&DC	60,000		58,000			-2,000
Central Savannah River	60,000		58,000			-2,000
Coastal Area P&D Commission	60,000			58,000		-2,000
South Georgia APDC	60,000			52,000		-8,000
Mcintosh Trail APDC	51,000		48,000			-3,000
Middle Georgia APDC	51,000		48,000			-3,000
North Georgia P&D Commission	51,000		48,000			-3,000
Heart of Georgia P&D Commission	54,000		54,000			-0-
Oconee APDC	54,000		52,000			-2,000
Southwest Georgia APDC	54,000			50,000		-4,000
Northeast Georgia APDC	52,000		50,000			-2,000
Lower Chattahooche	52,000			54,000		+2,000
Altamaha-Ga Southern	51,000			50,000		-1,000
Chattahoochee-Flint	51,000			50,000		-1,000
Coosa Valley APDC	51,000		50,000			-1,000
Middle Flint APDC	54,000			57,000		+3,000
Southeast APDC	54,000			54,000		0
KENTUCKY						
Northern Kentucky EDD	51,000			52,000		+1,000
Bluegrass EDD	54,000			50,000		-4,000
Green River AR Dev. District	54,000			55,000		+1,000
Purchase Area Dev. District	54,000			55,000		+1,000
Barren River AR Dev. District	54,000			55,000		+1,000
Lincoln Trail AR Dev. District	54,000			55,000		+1,000
Pennyrile Area Dev. District	54,000			55,000		+1,000
Buffalo Trace AR Dev. District	50,000			50,000		-0-
Gateway Area Dev. District	50,000			50,000		-0-
Fivco Area Dev. District	40,000			50,000		+10,000
Lake Cumberland EDD	40,000			50,000		+10,000
Big Sandy Area Dev. District	40,000			50,000		+10,000
Cumberland Valley ADD	40,000			50,000		+10,000
Kentucky River AR Dev. District	40,000			50,000		+10,000
MISSISSIPPI						
Southern Mississippe P&DD	96,000	60,000				-36,000
Central Mississippe Plng & Dev.	57,000	60,000				+3,000
East Central P&DD	60,000			6,000		-0-
Three Rivers P&DD	50,000	50,000				-0-
North Delta EDD	58,000		60,000			+2,000

SCDC	1989	1-1	4-1	7-1		IMPACT
South Delta P&DD	60,000		60,000			-0-
Southwest Mississippi P&DD	60,000	60,000				-0-
North Central Mississippi P&DD	57,000			58,000		+1,000
Golden Triangle P&DD	50,000			55,000		+5,000
NOrtheast Mississippi P&DD	47,000			55,000		+8,000
NORTH CAROLINA						
Land of Sky Regional Council	50,000			48,000		-2,000
Neuce River COG	55,000			52,000		-3,000
Albemarle RP&DC	54,000		52,000			-2,000
Mideast Econ. Dev. Commission	53,000			50,000		-3,000
Kerr-Tar Regional COG	53,000	50,000				-3,000
Southeastern ED Commission	52,000			50,000		-2,000
Region D COG	50,000	50,000				-0-
Southwestern N.C. P&DC	50,000		50,000			-0-
SOUTH CAROLINA						
B-C-D Regional Plng. Council	50,000	50,000				-0-
Lower Savannah COG	54,000	54,000				-0-
Pee Dee Economic Dev. District	54,000	54,000				-0-
Santee-Lynches RPC	54,000	54,000				-0-
Upper Savannah EDD	54,000	54,000				-0-
Waccamaw RP&DC	54,000	55,000				+1,000
Central Midlands Council	48,000		48,000			-0-
Lowcountry Regional Plng.	53,000	53,000				-0-
South Central Appelachian COG	48,000	48,000				-0-
Cawtaba Reg. Plng. Council	50,000	50,000				-0-
TENNESSEE						
Greater Nashville	60,000			55,000		-5,000
East Tennessee Dev. District	57,000	55,000				-2,000
Memphis-Delta EDD	50,000			50,000		-0-
South Central Dev. District	55,000			55,000		-0-
First Tennessee	52,000			50,000		-2,000
Northwest Tennessee Dev. Dist.	51,000			52,000		+1,000
Southeast Tennessee Dev. Dist.	51,000	50,000				-1,000
Upper Cumberland EDD	55,000	55,000				-0-
Southwest Tennesse Dev. Dist.	54,000			55,000		+1,000

CHICAGO REGION

SCDC	1989	1-1	4-1	7-1		IMPACT
ILLINOIS						
Southwestern Illinois RPDC	60,000		58,000			-2,000
Bi State Metro	53,000			52,000		-1,000
Greater Egyget	60,000			60,000		-0-
Southern Five RPDD	55,000		55,000			-0-
Greater Wabash RPDC	46,000		55,000			+9,000
Southeastern RPDC	46,000			58,000		+12,000
Southeastern IL Metro	60,000			55,000		-5,000
INDIANA						
Indiana 15 Reg. Plng. Comm.	55,000			55,000		-0-
Southern Indiana Dev. Comm.	50,000			50,000		-0-
West Central Indiana EDD	50,000		50,000			-0-
Kankakee-Iroquois District	50,000	50,000				-0-
Region 3-A EDD	50,000		48,000			-2,000
Southeastern Indiana	46,000		50,000			+4,000
River Hilly Reg. Planning	46,000	46,000				-0-
MICHIGAN						
Central Upper Peninculs	64,000		60,000			-4,000
Tri-County RPC	55,000			52,000		-3,000
South Central Michigan PC	50,000			48,000		-2,000
East Central Michigan P&DR	50,000		50,000			0
Western Upper Peninsula	64,000	60,000				-4,000
West Michigan Reg. Planning	51,000		50,000			-1,000
West Michigan Shoreline	50,000	50,000				-0-
Southwestern Michigan RPC	50,000	50,000				-0-
Eastern Upper Peninsiula	60,000			60,000		-0-
Northeast Michigan COG	50,000		60,000			+10,000
MINNESOTA						
Arrowhead Reg. Dev. Commission	70,000			65,000		-5,000
Southwest Reg. Dev. Commission	50,000			48,000		-2,000
Upper Minnesota Valley	50,000			50,000		-0-
Northwest Reg. Dev. Commission	50,000	50,000				-0-
East Central Reg. Dev. Comm.	50,000		50,000			-0-
Mid-Minnesota Reg. Dev. Comm.	50,000		50,000			-0-
Headwaters Reg. Dev. Commission	54,000		52,000			-2,000
Region 5 Reg. Dev. Commission	50,000	48,000				-2,000
OHIO						
MEFCO	55,000		52,000			-3,000
Ohio Valley RD Council	55,000	55,000				-0-
Ohio Mid East Gov't. Assn.	55,000	55,000				-0-
Buckeye Hills	59,000		55,000			-4,000
WISCONSIN						
East Central EDD	50,000	48,000				-2,000
Bay Lake Reg. Plng. Commission	50,000	50,000				-0-
West Central Wisconsin EDD	50,000	48,000				-2,000
North Central Wisconsin EDD	50,000		50,000			-0-
Mississippi River Plng. Council	50,000		48,000			-2,000
Southwestern Wisconsin	46,000			45,000		-1,000
Northwestern RPC	53,000	50,000				-3,000

DENVER REGION

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SCDC	1989	1-1	4-1	7-1		IMPACT
COLORADO						
Southern Colorado EDD	60,000	60,000				-0-
Region 10 EDD	50,000			50,000		-0-
San Luis Valley RPDC	55,000	60,000				+5,000
IOWA						
Southern Iowa RC&D Project	60,000		58,000			-2,000
Southeast (Reg. XVI) Plng. Comm.	50,000		50,000			-0-
Siouxland Interstate MPC	50,000	50,000				-0-
Area 15 Reg. Plng. Commission	55,000			55,000		-0-
Northwest Iowa	0		50,000			+50,000
Upper Exploreland RPC	50,000			50,000		-0-
East Central (District 8)	50,000	50,000				-0-
KANSAS						
South Central Kansas EDD	60,000	57,000				-3,000
N. Central Kansas EDD (Reg.10)	50,000		50,000			-0-
Northwest Kansas PDC	50,000	50,000				-0-
Great Plains EDD	50,000			48,000		-2,000
Southeast Kansas RDC	50,000			50,000		-0-
MISSOURI						
Southeast Missouri RDC	60,000	58,000				-2,000
Meramas Reg. Plng. Commission	60,000	60,000				-0-
Mo-Kan	0			50,000		+50,000
Northeast Missouri EDD	50,000	48,000				-2,000
Northwest Missouri EDD	50,000		50,000			-0-
Green Hills RDC	50,000	48,000				-2,000
Lake of the Ozarks	50,000			50,000		-0-
Mark Twain EDD	50,000			50,000		-0-
South Central Ozarks RDC	55,000		55,000			-0-
Boatheel Economic Dev. Council	55,000	55,000		55,000		-0-
MONTANA						
Bear Paw Dev. Corporation	55,000	55,000				-0-
NEBRASKA						
River Country	50,000			48,000		-2,000
West Central Dev. District	50,000		48,000			-2,000
Pan Handle District	50,000			50,000		-0-
Northeast Region	50,000			50,000		-0-
NORTH DAKOTA						
Lake Agassing RP&DC	55,000	52,000				-3,000
Lewis & Clark RCP&DC	55,000	55,000				-0-
South Central Dakota RC	50,000		48,000			-2,000
Souris Basin Region RC	50,000	50,000				-0-
Roosevelt-Custer, Region 8	50,000	50,000				-0-
North Central Reg. 3 EDD	50,000	50,000		50,000		-0-

SCDC	1989	1-1	4-1	7-1		IMPACT
SOUTH DAKOTA						
Planning & Dev. District III	55,000	55,000				-0-
Black Hiller South Dakota	55,000	55,000				-0-
First Plng. & Dev. District	55,000	55,000				-0-
Northeast COG	50,000	50,000				-0-
UTAH						
Mountainland Assn.-Gov't	50,000	48,000				-2,000
Southeastern Utah EDD	50,000		55,000			+5,000
Uintah Basin Region	50,000			50,000		-0-
Five County Assn. of Gov't.	50,000		52,000			+2,000
Six County EDD	50,000		50,000			-0-
WYOMING						
Lincoln Uinta Assn. Gov't	40,000		50,000			+10,000

PHILADELPHIA REGION

SCDC	1989	1-1	4-1	7-1		IMPACT
MAINE						
Eastern Maine EDD	71,000		66,000			-5,000
Androscoggin Valley RDC	66,000		60,000			-6,000
Northern Maine RDC	60,000		60,000			-0-
North Kennebec EDP	45,000		50,000			+5,000
MARYLAND						
Western Maryland Tri-County	50,000		50,000			-0-
MASSACHUSETS						
Old Colony Planning Council	50,000		45,000			-5,000
Southeastern Maryland RP&EDD	60,000		57,000			-3,000
Merrimar Valley RDC	50,000			50,000		-0-
New Hampshire-North Country EDD	45,000		43,000			-2,000
NEW JERSEY						
Southern New Jersey EDD	48,000		48,000			-0-
NEW YORK						
Capital District Region	50,000		45,000			-5,000
Hudson Valley Region	50,000			45,000		-5,000
Long Island Area EDD	50,000			-0-		-50,000
Genese-Fingerlaken Region	63,000		60,000			-3,000
Homhuh Valley EDD	70,000		66,000			-4,000
Lake Champlin-Lake Geo.	59,000		56,000			-3,000
Central New York Plng. Dev. Bd.	50,000		48,000			-2,000
Southern Tier Central	50,000		48,000			-2,000
Southern Tier East EDD	50,000		47,000			-3,000
Southern Tier West	50,000		48,000			-2,000

SCDC	1989	1-1	4-1	7-1		IMPACT
PENNSYLVANIA						
Northeastern Econ. Dev. Council	64,000		60,000			-4,000
SEDA Council of Government	50,000		48,000			-2,00
Northwest Pennsylvania EDD	50,000		50,000			-0-
North Central Pennsylvania RPDC	50,000					
Southern Alleghenie PDC	50,000		50,000			-0-
Northern Tier RP&DC	50,000		48,000			-2,000
Fayette County	40,000		40,000			-0-
VERMONT						
Southern Vermont	50,000		47,000			-3,000
Northern Vermont Ed. Council	50,000		50,000			-0-
VIRGINIA						
Radco PC	50,000			45,000		-5,000
Southside Plng. Dev. Commission	54,000		52,000			-2,000
Mt. Rogers Plng. District 3	50,000		48,000			-2,000
Piedmont Plng. Dev. Commission	50,000			50,000		-0-
Central Shenandah EDD	45,000		42,000			-3,000
Crater District	50,000			50,000		-0-
Lenowisco Plng. Dist. Comm.	58,000		60,000			+2,000
Cumberland Plateau PD	50,000		50,000			-0-
Southwest Virginia	45,000		50,000			+5,000
WEST VIRGINIA						
B-C-K-P (Reg. 3) Council	55,000			50,000		-0-
Eastern Panhandle RDC	50.000		50,000			-0-
Region 8 Planning Council	50,000			55,000		+5,000
Bell-O-Mar	45,000			45,000		-0-
BHJ Reg. Plng. Commission	40,000			40,000		-0-
Region 6 Planning Council	50,000			55,000		+5,000
Region 5 (Mid-Ohio) Valley	50,000		55,000			+5,000
Region 2 Planning Dev. Council	55,000		55,000			-0-
Region 7 Plng. Dev. Council	50,000		60,000			+10,000
Region 4 Plng. Dev. Council	50,000			55,000		+5,000
Region 1 Plng. Dev. Council	48,000			55,000		+7,000

SEATTLE REGION

SCDC	1989	1-1	4-1	7-1		IMPACT
ALASKA						
Northwest Artic Borough	70,000	60,000				-10,000
Kenai Peninsula	60,000		60,000			-0-
CALIFORNIA						
Sierra EDD	75,000		60,000			-15,000
Tri-County Econ. Dev. Corp.	65,000			65,000		0
Superior EDD	65,000	65,000				-0-
Central Sierra EDD	56,000			55,000		-1,000
Imperial County	45,000			50,000		+5,000
IDAHO						
Ida-Ore	75,000		65,000			-10,000
Clearwater EDD	65,000		60,000			-5,000
Southeast Idaho COG	63,000		60,000			-3,000
East Central P&D Assn.	61,000		58,000			-3,000
Region 4 Dev. Assn. Inc.	60,000		58,000			-2,000
Panhandle Plng. Dev. Council	62,000		60,000			-2,000
NEVADA						
Western Nevada	77,000			50,000		-27,000
OREGON						
District 4 EDD	91,000		65,000			-26,000
Mid Columbia	64,000		60,000			-4,000
CCD Business Dev. Corp.	57,000	60,000				+3,000
Central (Reg. 10) Oregon	56,000		58,000			+2,000
Northeast Oregon	43,000			50,000		+7,000
East Central Assn. of Counties	60,000		60,000			-0-
Mid-Walliamette COG	48,000			48,000		-0-
WASHINGTON						
Central Puget Sound EDD	113,000		65,000			-48,000
Benton-Franklin	58,000		55,000			-3,000
Trico Econ. Dev. District	60,000		60,000			-0-
Paloure Econ. Dev. Council	50,000		48,000			-2,000
Ki Yah Rec. Council & EDD	55,000		60,000			+5,000
Peninsula Dev. Assn.	37,000			48,000		+11,000
Big Bend EDD (Area 9)	55,000		55,000			-0-

101st Congress
1st Session
HOUSE OF REPRESENTATIVES
Rept. 101-388
Part 1

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT AMENDMENTS OF 1989

December 1, 1989.—Ordered to be printed

Mr. Anderson, from the Committee on Public Works and Transportation, submitted the following

REPORT

together with

DISSENTING VIEWS

[To accompany H.R. 2015 which on April 17, 1989, was referred jointly to the Committee on Banking, Finance and Urban Affairs and the Committee on Public Works and Transportation]

ECONOMIC DEVELOPMENT DISTRICTS

The Committee believes that the work of the Economic Development Districts funded by the Act is one of the most lasting benefits of the Economic Development Administration, particulary in small metropolitan and rural areas. Twenty-four years after enactment of the Public Works and Economic Development Act, poverty and lack of opportunity continue in many rural and urban areas. Districts are an essential resource for communities working to encourage long-term economic diversity and stability.

Development districts provide the mechanism by which governments, businesses and citizens join together and take action to improve their regions. Under the new legislation, districts will provide the vehicle for creation of the Development Investment Strategies just as they have produced Overall Economic Development Plans (OEDP's) under existing law. Development districts under both EDA and the Appalachian Regional Commission provide the professional assistance to small governments, small businesses and nonprofit organizations which would not otherwise be available in distressed areas. The Economic Development Administration should continue to use the Development Districts as the Federal link to the local level in small metropolitan and rural America.

Economic Development Districts -- A Job-Creating Program - U.S. Department of Commerce - March 1977

A Job-Creating Program

Multicounty cooperation in planning and development is among the more important tools for helping to build solid economic bases in economically lagging communities and those hit by economic dislocation.

The Public Works and Economic Development Act of 1965 authorizes the formation of Economic Development Districts—usually composed of 5 to 10 counties—to help solve the job and income problems in areas of high unemployment or low family income.

To get started, groups of adjacent counties with similar or related economic problems must first have the approval of the Governor to form a District. At least one of these counties must be a designated Redevelopment Area, eligible for Economic Development Administration grants and loans.

There must also be a growth center—a city or center of economic activity that contains a population of not more than 250,000 and has the development potential to provide jobs and services for the Redevelopment Area unemployed or underemployed.

If the District is to get moving, it must have a grass-roots development board—an organization representative of area economic, political, civic and social interests.

At least a majority of the board members will be local elected officials, one-third will be non-government people. The membership will include men and women from industry and labor, banking and business, farming and the professions, as well as representatives of the unemployed. Minorities must be represented in proportion to their numbers, but not necessarily exceeding 25 percent.

This governing body must decide where the District wants to go—and how it plans to get there. It must come up with a blueprint for action.

Administrative Aid

Congress in passing the Public Works and Economic Development Act recognized that a District organization might need financial assistance in its planning and development activity. So Congress authorized EDA to pay up to 75 percent of the administrative expenses of District organizations.

This help becomes available after provisional District boundaries have been defined and a representative organization has been established. The funds provided by EDA are used to hire a professional staff for the District organization, for the planning work undertaken by the District, and for related expenses required to put the District's program into action.

Overall Economic Development Programs

The economic action design is called an "Overall Economic Development Program" (OEDP). Its purpose is to provide the District organization with a management plan and work program.

Part of the task is to determine the condition of the local economy, including its population, labor force, unemployment, job needs, available skills, resources, industrial and commercial buildings and sites, recreational and historical areas, and other assets.

Along with this effort, the District committee and staff—working with all the key economic and social interests—develop goals for improving the District economy. These goals then are translated into the District's own strategy for development. The purpose is to clear the way for local action and to help open doors to all available Federal, State, and private aid programs—not just those of EDA.

When the OEDP is approved by the State and EDA, the District is officially designated by the Assistant Secretary of Commerce for Economic Development and becomes eligible for additional financial assistance provided by the Act.

To Sum Up

The District program was launched after years of experience with economic development problems at the local, State, and Federal levels had shown it to be a logical way to assist local communities to help the poor, the unemployed, the untrained—to give them permanent work, pride, and a useful role in society.

This institution now serves as a delivery vehicle for a variety of Federal, State, and local programs that are regional in scope. Examples are health, law enforcement, and housing planning programs. It provides for a new, local institution in which the poor and members of minority groups have a voice in planning programs designed to help them.

By bringing together in one cooperative unit both lagging and economically healthy counties—plus an urban growth center—the necessary economic strength and growth potential to raise the employment level and income (and thus the tax base) of the entire District can be realized.

NATIONAL TELECOMMUNICATIONS & INFORMATION ADMINISTRATION

High Definition Television Policy

QUESTION:

Precisely one year ago you announced that Commerce would be the lead agency in formulating the Administration's high definition television (HDTV) policy. You emphasized its critical importance to U.S. competitiveness in the advanced technology market and you promised a report to the Congress by July 1, 1990, which would delineate the Administration's HDTV and Advanced Technology policies. Since that time we have seen this issue recede in importance, if not philosophically, at least with respect to the Administration's funding of HDTV research and development. NTIA has requested only a $370 thousand increase to support HDTV development and the National Institute of Standards and Technology (NIST) has requested no increase in its $10 million dollar Advanced Technology Program, which includes HDTV. Will these sums adequately address the needs of these agencies to develop standards and technologies to get U.S. HDTV moving?

ANSWER:

We believe that issues associated with high resolution imaging technologies are extremely important. The Department of Commerce has been diligently working on policies regarding HDTV and other high resolution technologies, and we are engaged in various aspects of this task. Our extensive work in this area has shown HDTV to be a subset of a greater problem facing the U.S. economy. These issues must be viewed in the much broader context of full global competitiveness.

Both NTIA and NIST have continuing programmatic activities (e.g., Integrated Services Digital Networks, fiber optics, display systems, performance standards) that contribute to the development of enabling technologies that are catalytic to various high technology areas, including HDTV. Our request for additional funding for NTIA is needed specifically to support programs associated with advanced television and related technologies. NTIA continues to lead the way in recognition of advanced television systems' significance in communications policy, international trade, national security, and the enhancement of U.S. industrial competitiveness.

The NIST Advanced Technology Program (ATP) will help U.S. industry create and apply generic technology to advanced products and improve manufacturing processes. The ATP start-up funds are intended to be used to gain operational experience working with industrial consortia on pre-competitive generic technologies. The ATP funds will respond to the needs and proposals of the industry.

The FY 1991 request represents a careful balancing of the resources needed to meet our scientific and policy needs in this high technology area while recognizing the realities of a constrained budget.

QUESTION:

If budget constraints are an impediment to a higher Government profile with respect to research and development, what is the Administration's position regarding policies which provide for exemptions to the antitrust laws to encourage joint ventures in HDTV manufacturing such as S. 952, the "High Definition Television Development Act of 1989" and S. 1006, the "National Cooperative Research Act Extension of 1989?"

ANSWER:

In a recent speech before the American Electronics Association, President Bush announced the Administration's support for legislation to reduce the antitrust uncertainty that may discourage joint ventures for manufacturing products in general. Under such a proposal the courts would weigh, on a case-by-case basis, the competitive benefits as well as costs of joint production ventures. In addition, joint production ventures announced to the government would be liable only for actual damages in private antitrust suits. It should be noted, however, that our intent is to reduce these uncertainties for all industries, rather than to aid specific industries. As such, the Administration supports a concept along the lines of H.R. 2264, "The Cooperative Productivity and Competitiveness Act of 1989," which is similar to S. 1006, the "National Cooperative Research Act Extension of 1989," both of which provide relief across all industries, rather than S. 952, the "High Definition Television Development Act of 1989," which addresses only HDTV joint ventures.

Chief Financial Officer

QUESTION:

The General Accounting Office recently reported on the Department's reclassification of 3 managerial positions. GAO found that the chief accountant position had been relocated to the grade 14 level, and that was inconsistent with the level of responsibility assigned to Commerce's top accounting position. GAO recommended that the position be upgraded to the senior executive service level.

Commerce agreed with GAO's findings and is to establish a new chief financial officer position. At what level will that position be established and when will it be filled?

ANSWER:

The Department's new chief financial officer position will be at the SES level. Efforts to recruit for the position are currently underway, and we anticipate that the position will be filled around July 1, 1990.

QUESTION SUBMITTED BY SENATOR DANIEL K. INOUYE

NATIONAL TELECOMMUNICATIONS & INFORMATION ADMINISTRATION

Public Telecommunications Facilities Program
PEACESAT

QUESTION:

Mr. Mosbacher, I understand that the Department of Commerce, through the National Telecommunications and Information Administration (NTIA), is expected to reestablish the PEACESAT service this summer, to serve through the end of 1994. What long-term options are being considered to ensure that PEACESAT continues to exist beyond 1994? When should planning for these long-term options begin?

ANSWER:

NTIA has been planning for the long-term PEACESAT satellite services while it has worked to reestablish PEACESAT. In April 1989, NTIA issued a Request for Information (RFI) which sought proposals from interested parties on long-term service. The responses to the RFI did not immediately identify a candidate. In conjunction with the University of Hawaii, NTIA is considering several different options. NTIA continually monitors existing and proposed commercial satellite systems for developments regarding the potential for PEACESAT's long-term use. Also, during the Space and Educational Applications Colloquium, held in February 1990, NTIA solicited international support for a replacement satellite for PEACESAT through the International Space Year (ISY). NTIA has also explored the option of a joint satellite project with an amateur radio group (AMSAT) which has the experience of constructing low cost communications satellites. NTIA has concluded that because of the economic disadvantages of the countries and territories subscribing to PEACESAT, it may be difficult to obtain a long-term solution that is commercially feasible. The continuation of PEACESAT may depend on a satellite service that is subsidized by outside sources.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

NATIONAL TELECOMMUNICATION & INFORMATION ADMINISTRATION

Public Telecommunications Facilities Program

QUESTION:

I would like to share my concerns about the zeroing out of NTIA's Public Telecommunications Facilities Planning and Construction Program after a $20 million FY 1990 appropriation last year.

Why does DOC believe the Federal Government does not have a role in providing access to public TV/radio for Americans?

ANSWER:

The Department of Commerce believes the Federal Government has and will continue to have a role in providing access to public TV and public radio for Americans.

The Corporation for Public Broadcasting (CPB), with an FY 1990 budget of $238 million, provides annual support to National Public Radio (NPR) and to the Public Broadcasting Service (PBS) as well as to a majority of the more than 377 member stations of NPR, and the more than 300 member stations of PBS through the Community Service Grant (CSG) Program. Approximately 70% of CPB's appropriation is distributed to the stations through CSG's.

Since 1962, NTIA's Public Telecommunications Facilities Program (or its predecessor agencies) has provided additional support to public radio and television. The 28-year old grant program has awarded over 2200 grants in excess of $364 million to provide equipment for the delivery of noncommercial, educational, cultural, and informational programs to U.S. citizens.

The National Endowment for the Arts' Media Arts Program provides Federal support at approximately $8 million annually for single productions and series on both public radio and public television. Among the series supported since 1965 are: Great Performances, American Playhouse, Wonderworks, A Prairie Home Companion, and the American Jazz Festival.

The National Endowment for the Humanities supports media projects at approximately $9 million annually that promote greater public understanding of topics and issues in the humanities. Funded projects such as the Odyssey, and the Adams Chronicles have been broadcast nationally on public radio and public television.

The National Science Foundation has also supported public radio and public television programs through grants to the Children's Television Workshop, National Public Radio for coverage of science issues to be broadcast on national programs such as All Things Considered and Morning Edition.

These projects are all indicative of the role of Federal support in public broadcasting.

QUESTION:

Is that policy consistent with the Federal Government's endorsement of researching High-Definition Television (HDTV)?

ANSWER:

The Administration has not endorsed researching High Definition Television through Federal grant support and believes that it is inappropriate to focus research efforts on one specific emerging technology. Rather, the Department has taken on a broader review of reassessing the significance of High Definition Television (HDTV) relative to other technologies. The National Telecommunications and Information Administration is studying the policy implications of the various HDTV transmission standards now being considered to assist the Federal Communications Commission (FCC) in understanding the long-term effects of any decision regarding HDTV.

The Department is continuing to evaluate HDTV in a new context, as part of a much larger set of technologies to be addressed in policies to enhance the competitiveness of U.S. firms. The Administration is considering broader policy initiatives (e.g., changes in the tax laws, antitrust law reform) that may have a significant impact on HDTV development.

QUESTION:

In an excellent state-by-state study published by the National Telecommunications and Information Administration (NTIA) last year, researchers concluded that 94% of the U. S. population receives a public TV signal. Approximately 86% receives at least one public radio signal.

In Arkansas, 95% of my constituents have access to public TV, but approximately 109,000 residents in rural areas do not. And with public radio, 44% or 787,000 Arkansans receive no public-radio programming at all. In view of the excellent information and programming available on public radio/TV, shouldn't we keep trying to improve our average? Why is DOC shutting down this operation?

ANSWER:

The Public Telecommunications Facilities Program has provided over $364 million in grants over the last 28 years. During this time substantial contributions have been made to ensure that the vast majority of Americans receive a public TV or radio signal.

While the goal of the PTFP is to extend public radio and television coverage, the majority of its current funding is now being used to meet the equipment replacement needs of currently operating stations. Such equipment replacement does not normally extend the coverage of public broadcasting and is not a proper Federal policy objective.

QUESTION:

The NTIA report also concluded that public TV could be expanded into unserved areas by strengthening or extending the signals of existing stations; i.e., installing translators or major satellite repeater stations. In a typically unserved part of Arkansas or Wyoming, for example, what would be the cost of such a venture? Has PTFP previously funded such projects? If so, I would appreciate a listing of such projects.

ANSWER:

Many variables may influence a project's configuration. This makes it difficult to estimate the exact construction costs of a hypothetical television translator or repeater station. Precise pricing would depend on whether a tower had to be constructed, how powerful the transmitter should be, or whether electrical power lines were already present on the site or would have to be installed for the project.

It must be understood, then, that the following sample estimates are based on certain assumptions:

- that no tower has been specially constructed to accommodate the new facility's antenna;
- that, in the case of the repeater, a 60 kw transmitter is called for, or, in the case of the translator, only 100 watts of power is required; and,
- that electrical power is present at the site.

On this basis, a television repeater station would cost approximately $1,255,000 and a television translator would cost about $39,500. These totals include installation costs.

We have also assumed that the repeater or translator would receive the host signal off-air. If microwave must be used, then $70,000 per microwave "hop" should be added.

In addition, once a 60 kw transmitter is activated, its annual electricity costs will be approximately $100,000 to $120,000.

PTFP has frequently funded the purchase and installation of television translators, low power stations, and major satellite repeater stations. Attached is a list of such grant award projects for fiscal years 1987-89.

National Telecommunications and Information Administration
PUBLIC TELECOMMUNICATIONS FACILITIES PROGRAM

Grant Projects to Unserved Areas FY1987-1989

FY87

Prj #	
77027	**Central Texas College** **Grant Amount: $180,337** **Project Cost: $240,450**

To establish a public television station at Waco, Texas, to operate on Channel 34. The station will repeat the signal of public television station KNCT, Channel 46, at Central Texas College, Killeen. It will replace KNCT's present translator, also on Channel 34, and will bring a first public television signal to approximately 70,000 residents of the Waco area.

Population Increase: 70,000

Prj #	
77036	**Baca County** **Grant Amount: $44,292** **Project Cost: $59,056**

To extend the signal of KTSC-TV operating on Channel 8, Pueblo, Colorado, with 4 translators located in Baca County, Colorado, to provide first public television service to 5,500 persons.

Population Increase: 5,500

Prj #	
77105	**Plains - Paradise TV District** **Grant Amount: $81,408** **Project Cost: $108,545**

To establish a noncommercial low power television station K07CH operating on Channel 7, Plains, Montana, to bring first public television service to 2,000 residents of eastern Sanders County, Montana.

Population Increase: 2,000

Prj #
77124 Forsyth Community Public TV, Inc
Grant Amount: $73,080
Project Cost: $98,440

To establish a noncommercial low power television station operating on Channel 21 in Forsyth, MT, to provide a first public television service to 3,000 residents of Rosebud County, Montana.

Population Increase: 3,000

Prj #
77219 Eastern New Mexico University
Grant Amount: $150,425
Project Cost: $300,850

To improve the production capability of public television station KENW, Channel 3, Portales, New Mexico, by purchasing a production video switcher, a production audio console, three 1" video tape recorders, video and audio distribution amplifiers, and diverse stereo equipment. The project will also construct a translator that will bring the station's signal to the Ruidoso-Capitan area of southern New Mexico and will replace the lighting system of the station's tower in Caprock, New Mexico.

Population Increase: 5,000

Prj #
77231 Smoky Hills Public Television Corporation
Grant Amount: $610,030
Project Cost: $1,151,000

To extend the signal of public television station KOOD, Channel 9, Bunker Hill, Kansas, by constructing a repeater station at Lakin, Kansas. The new station will operate on Channel 3. It will bring the first public television signal to over 95,000 residents of the Lakin-Garden City-Dodge City area of southwestern Kansas.

Population Increase: 96,428

Prj #
77292 Wisconsin Educational Communications Board
Grant Amount: $63,365
Project Cost: $126,730

To activate a television translator on Channel 53 to serve Adams County in central Wisconsin. The translator will repeat the signal of public television station WHRM, Channel 20, Wausau, Wisconsin, which in turn is part of the Wisconsin State Television Network. The translator will bring the first public television signal to approximately 20,000 residents of Adams County.

Population Increase: 20,000

TOTAL FUNDS FOR FY87: $1,202,937
POPULATION INCREASE: 201,928

FY88

Prj #
88020 Oregon Public Broadcasting
Grant Amount: $314,917
Project Cost: $629,835

To establish a new television facility operating on Channel 28 in Eugene, Oregon, to provide first public television service to approximately 68,000 residents in Lane and Douglas counties. The station will broadcast programs from the Oregon Public Broadcasting network and will also provide improved reception to 242,000 people in a five county area.

Population Increase: 67,738

Prj #
88036 **Eureka County Television District**
Grant Amount: $60,228
Project Cost: $80,305

To establish a noncommercial low power television station operating on Channel 48 to bring a first public television service to 1,000 persons in Eureka, California and surrounding Eureka County.

Population Increase: 1,000

Prj #
88038 **Lander County Improvement District 1**
Grant Amount: $83,122
Project Cost: $110,830

To establish a remotely controlled low power television station operating on Channel 32 in Battle Mountain, Nevada, to provide a first public television service to 3,500 residents of Lander County.

Population Increase: 3,500

Prj #
88039 **Mono County Service Area # 5**
Grant Amount: $88,353
Project Cost: $117,805

To establish a low power television station operating on Channel 22, Bridgeport, California, to provide first service to 1,000 residents of Mono County. The project will be affiliated with the Rural Television Service project bringing public television to rural communities through the western United States. The project will replace an unreliable double hop translator system which rebroadcasts the signal of KVIE, Channel 9, Sacramento, and will provide the opportunity for local origination in Mono County.

Population Increase: 1,000

Prj #
88196 **Channel 5 Public Broadcasting, Inc.**
Grant Amount: $65,489
Project Cost: $87,319

To extend the signal of Public Television station KNPB-TV operating on Channel 5 in Reno, Nevada, by constructing a microwave fed repeater station to provide a first public television service to 11,996 residents of northern Lyon County and to replace an aging microwave feed presently serving Mineral County.

Population Increase: 11,996

Prj #
88225 Whitehall Low Power TV, Inc.
Grant Amount: $95,336
Project Cost: $127,115

To establish a noncommercial low power television station in Whitehall, Montana, to provide the first public television service to 4,000 residents of southern Jefferson County.

Population Increase: 4,000

TOTAL FUNDS FOR FY88: $707,445
POPULATION INCREASE: 89,234

FY89

Prj #
89022 W. Central Illinois Educational Telecommunications Corp.
Grant Amount: $260,294
Project Cost: $347,059

To construct a television translator in Springfield that will translate the signal of WJPT-TV of Jacksonville, Illinois, and a television translator in Kirksville, Missouri, which will translate the signal of WQEC-TV of Quincy, Illinois.

Population Increase: 88,000

Prj #
89064 Northern California Educational Television Assoc., Inc.
Grant Amount: $121,323
Project Cost: $161,765

To extend and improve the signal of public television station KIXE-TV, Redding, CA, by installing 2 new translators to provide first service to 5,000 residents of Lakehead and Lewiston, to replace 4 existing translators to maintain service to the greater Redding area and to replace worn and obsolete studio equipment to provide programming to 500,000 residents of north central California.

Population Increase: 5,000

Prj #
89076 Central Wyoming College
Grant Amount: $245,982
Project Cost: $327,977

To extend the signal of public television station KCWC-TV, Channel 4, Riverton, Wyoming, by constructing a series of microwave fed translators which will provide a first public television service to residents of Teton and Park Counties.

Population Increase: 11,615

Prj #
89089 Bitterroot Valley Public Television
Grant Amount: $23,608
Project Cost: $31,478

To extend the signal of noncommercial low power television station K21AN operating on Channel 21 in Darby, Montana, by constructing a translator located on Connor Bluff operating on Channel 67 to provide first public television service to 10,000 people.

Population Increase: 10,000

Prj #
89096 Boulder Television Translator Association
Grant Amount: $98,165
Project Cost: $130,887

To construct a low power television station operating on Channel 27 in Boulder, Montana, with associated television translator Channel 34, Clancy, to provide first public television service to 2,000 people in Jefferson County. The project is affiliated with the Rural Television System, which provides public television service to rural areas.

Population Increase: 2,000

Prj #
89100 Clark's Fork Valley Television District 1
Grant Amount: $87,837
Project Cost: $117,117

To construct a low power television station operating on Channel 63 to serve 3,000 people in the communities of Bridger, Belfry, Edgar and Fromberg in Clark's Fork Valley, Montana. The proposed facility will be an affiliate of the Rural Television System project which provides public television service to rural areas.

Population Increase: 3,000

Prj #
89101 Region 10 League for Economic Assistance and Development
Grant Amount: $269,000
Project Cost: $359,178

To activate a one kilowatt television translator on Channel 32 in Montrose County, Colorado. The translator will rebroadcast the signal of public television station KTSC-TV, Channel 8, Pueblo. The project will also purchase associated microwave equipment. The project will bring a first public television signal to over 15,000 residents and will allow the retransmission of a more reliable and cost-effective public television service to nearly 150,000 residents of southwest Colorado.

Population Increase: 15,539

Prj #
89138 Smoky Hills Public Television Corporation
Grant Amount: $282,492
Project Cost: $392,350

To install four television translators to extend the signal of station KOOD-TV, which operates on Channel 9 in Bunker Hill, Kansas. These Kansas translators will be located in Norton, Oberlin, Oakley and Goodland. They will bring a first public television signal to approximately 23,000 residents of the northeastern portion of Kansas.

Population Increase: 23,000

Prj #
89153 Fort Benton Community Improvement Association
Grant Amount: $88,696
Project Cost: $118,262

To establish a noncommercial low power television station operating on Channel 28 in Fort Benton, Montana, to provide first public television service to 2,100 persons of Choteau County. The project is affiliated with the Rural Television System, which provides public television services to rural areas.

Population Increase: 2,100

Prj #
89219 Thompson Falls Television District
Grant Amount: $86,186
Project Cost: $114,915

To establish a noncommercial low power public television station operating on Channel 36, Thompson Falls, Montana, to provide a first public television service to 3,000 residents of western Sanders County. The project is affiliated with the Rural Television Service which provides public television services to rural areas.

Population Increase: 3,000

Prj #
89228 University of Arizona
Grant Amount: $26,118
Project Cost: $34,824

To activate a new television translator, on Channel 23, in the area of Duncan, Arizona. Translator will rebroadcast the signal of KUAT-TV, Tucson. Project will serve Duncan, Clifton, Morenci, Safford, Greenlee and Graham Counties in Arizona.

Population Increase: 30,000

Prj #
89231 Harlowton Public School District
Grant Amount: $88,696
Project Cost: $118,262

To construct a noncommercial low power television station on Channel 28, Harlowton, Montana, to provide first public television service to 1,400 people. The project is affiliated with the Rural Television Service which provides public television services to rural areas.

Population Increase: 1,400

Prj #
89241 Choteau School District #1
Grant Amount: $86,186
Project Cost: $114,915

To establish a low power television station on Channel 21 to provide first public television service to 2,500 residents of Teton County. The project will be affiliated with the Rural Television System, which provides public television services to rural areas.

Population Increase: 2,500

Prj #
89254 Clark County School District
Grant Amount: $252,426
Project Cost: $358,600

To improve the production facilities of KVLX-TV, operating on Channel 10 in Las Vegas, NV, by replacing obsolete 2" videotape recorders and purchasing the station's first 1" videotape machines. The project would also provide for the construction of a translator on Channel 23 to provide first public television service to the 1,126 residents of Sandy Point and Jean, Nevada. KLVX serves 688,000 people in the area surrounding Las Vegas, Nevada.

Population Increase: 1,126

Prj #
89281 Univ. of New Mexico & Albuquerque Public Schools
Grant Amount: $71,520
Project Cost: $112,100

To extend the coverage of public television station KNME-TV, Channel 5, in Albuquerque with 2 new and 3 replacement television translators. The new translators will be located in Raton, New Mexico, (Channel 60) and Farmington-Bloomfield Hwy/Huerfano-Bloomfield Hwy, New Mexico, (Channel 60). KNME-TV seeks to replace three translators for which it has obtained a "Consent to Assignment" of license. The three replacement translators serve: Shiprock, New Mexico, (K74DX); Chinle, Arizona, (K06HH) and Colfax, New Mexico, (K60AA).

Population Increase: 20,000

Prj #
89283 Central Wyoming College
Grant Amount: $404,638
Project Cost: $539,518

To extend the signal of public television station KCWC-TV, operating on Channel 4, Riverton, Wyoming, by constructing two microwave fed translators with local origination capability to serve Gillette and Sheridan, providing a first over-the-air service to 50,000 residents of Northern Wyoming.

Population Increase: 32,000

TOTAL FUNDS FOR FY89: $2,493,167
POPULATION INCREASE: 250,280

ECONOMIC DEVELOPMENT ADMINISTRATION

Funding for Planning and Development Districts

QUESTION:

How does EDA plan to dispense FY 1990 funding to the 291 planning and development districts nationwide?

a. Will FY 1990 funding be different in any respect from FY 1989's funding formula (less the 1.38% G-R-H sequester?

b. If so, why?

c. On what authority does EDA base such an action?

d. What are the dollar-by-dollar differences under the proposed FY 1990 funding from 1989? I would appreciate receiving a list detailing what each of the 291 districts will receive in FY 1990 and what they received in FY 1989.

ANSWER:

EDA is implementing its FY 1990 District Planning Program consistent with the FY 1990 appropriation and last year's process using the following operative criteria:

- responsiveness of the proposed work program to program regulations;
- economic distress of the area served by the applicant;
- past performance of currently funded applicants;
- amount of local funding provided to match Federal dollars.

No basic policy or criteria changes have been made in the implementation of the FY 1990 district and area planning grant program. Determination of individual grant levels have been made in accordance with the established methods and policies the Agency has used in previous years. Annual grant levels are routinely adjusted based on grantee performance, distress of the area being served, special area needs, and availability of program funds.

Following is a listing of each Planning District receiving funding in Fiscal Years 1989 and 1990, the location by region by state, and the change in the level of funding:

EDA PLANNING DISTRICT GRANTS
FY 1989-90
(in thousands of dollars)

PHILADELPHIA REGION

ST	APPLICANT NAME	FY 89	FY 90	CHANGE
MA	MERRIMACK VALLEY RPC	$50	$50	0
MA	OLD COLONY PLANNING CN	50	45	-$5
MA	SOUTHEASTERN RP&EDD	60	57	-3
MD	TRI CNTY CNCL W MD	50	50	0
ME	ANDROSCOGGIN VALLEY RP	66	60	-6
ME	EASTERN MAINE DEV DIST	71	66	-5
ME	NORTH KENNEBEC RPC	45	50	5
ME	NORTHERN MAINE RPC	60	60	0
NH	NORTH COUNTRY COUNCIL	45	43	-2
NJ	SOUTHERN NEW JERSEY ED	48	48	0
NY	CAPITAL DISTRICT RPC	50	45	-5
NY	CENTRAL NEW YORK RPB	50	48	-2
NY	GENESSEE FINGER LAKES	63	60	-3
NY	HUDSON VALLEY EDD	50	45	-5
NY	LKS CHAMPLAIN GEORGE R	59	56	-3
NY	MOHAWK VALLEY EDD EXPO	70	66	-4
NY	SOUTHERN TIER CENTRAL	50	48	-2
NY	SOUTHERN TIER EAST	50	47	-3
NY	SOUTHERN TIER WEST	50	48	-2
PA	EDC OF NORTHEASTERN PA	64	60	-4
PA	FAYETTE CNTY OEDC	40	40	0
PA	NORTH CENTRAL PA PDC	50	50	0
PA	NORTHERN TIER RPDC	50	48	-2
PA	NORTHWEST PA RPDC	50	50	0
PA	SEDA COG	50	48	-2
PA	SOUTHERN ALLEGHENIES	50	50	0
PR	COMMONWEALTH OF P. R.	75	45	-30
VA	CENTRAL SHENANDOAH PDC	45	42	-3
VA	CRATER PDC	50	50	0
VA	CUMBERLAND PLATEAU PDC	50	50	0
VA	LENOWISCO PDC	58	60	2
VA	MOUNT ROGERS PDC	50	48	-2
VA	PIEDMONT PDC	50	50	0
VA	RADCO PDC	50	45	-5
VA	SOUTHSIDE PDC	54	52	-2
VA	SOUTHWEST VA CDF	45	50	5
VI	U.S. VIRGIN ISLANDS	145	45	-100
VT	EDC OF NORTHERN VT	50	50	0
VT	SO. VT. DEV. COUNCIL,	50	47	-3
WV	BCKP INTERGOV CNCL	55	55	0
WV	BEL-O-MAR REG COUNCIL	45	45	0
WV	BHJ METRO PL COM (REGX)	40	40	0
WV	EAST PANHDLE RPDC	50	50	0
WV	MID-OHIO VALLEY RPDC	50	55	5
WV	REGION 1 PDC	48	55	7
WV	REGION 4 PDC	50	55	5
WV	REGION 7 PDC	50	60	10

(in thousands of dollars)

PHILADELPHIA REGION (Cont'd)

ST	APPLICANT NAME	FY 89	FY 90	CHANGE
WV	REGION 8 PDC	$55	$55	0
WV	REGION II PDC	50	55	$5
WV	REGION VI PDC	50	55	5
	TOTAL, PHILADELPHIA	2,706	2,552	-154

ATLANTA REGION

ST	APPLICANT NAME	FY 89	FY 90	CHANGE
AL	TOMBIGBEEE REG COMM	$57	$60	$3
AL	EAST AL PL&DEV COMM	50	50	0
AL	N CENTRAL AL REG COMM	50	50	0
AL	S CENTRAL AL DEV COMM	60	58	-2
AL	SE AL REG P&DC	57	55	-2
AL	SOUTH ALABAMA RPC	50	50	0
AL	TOP OF ALABAMA REG COG	50	48	-2
AL	WEST ALABAMA EDD	50	50	0
FL	APALACHEE REG PLNG CNC	51	50	-1
FL	CENTRAL FL REG PLNG	50	50	0
FL	N CNTRL FL REG PLNG CN	51	50	-1
GA	ALTAMAHA GA SOU APDC	51	50	-1
GA	CHATTAHOOCHEE-FLINT AP	51	50	-1
GA	CNTRL SAVANNAH RIVR AP	60	58	-2
GA	COASTAL APDC	60	58	-2
GA	COOSA VALLEY APDC	51	50	-1
GA	GA MTNS APDC	60	58	-2
GA	HEART OF GA APDC	54	54	0
GA	LWR CHATTAHOOCHEE APDC	52	54	2
GA	MCINTOSH TRAIL APDC	51	48	-3
GA	MIDDLE FLINT APDC	54	57	3
GA	MIDDLE GA APDC	51	48	-3
GA	N GA APDC	51	48	-3
GA	NE GA APDC	52	50	-2
GA	OCONEE APDC	54	52	-2
GA	SOUTH GA APDC	60	52	-8
GA	SOUTHEAST GA APDC	54	54	0
GA	SOUTHWEST GA APDC	54	50	-4
KY	KY DEPT LCL GOVT	675	727	52
MS	CENTRAL MS P&DD	57	60	3
MS	E CENTRAL P&DD	60	60	0
MS	GOLDEN TRIANGLE P&DD	50	55	5
MS	NORTH CENTRAL MS P&DD	57	58	1
MS	NORTH DELTA P&DD	58	60	2
MS	NORTHEAST MS P&DD	47	55	8
MS	SOUTH DELTA P&DD	60	60	0
MS	SOUTHERN MS P&DD	96	60	-36
MS	SW MS P&DD	60	60	0
MS	THREE RIVERS P&DD	50	50	0
NC	ALBERMARLE RP&DC	54	52	-2

(in thousands of dollars)

ATLANTA REGION (Cont'd)

ST	APPLICANT NAME	FY 89	FY 90	CHANGE
NC	KERR-TAR REG COG	$53	$50	-$3
NC	LAND OF SKY REG CNCL	50	48	-2
NC	MID-EAST COMMISSION	53	50	-3
NC	NEUSE RIVER COG	55	52	-3
NC	REGION D CNCL OF GOVTS	50	50	0
NC	SOUTHEASTERN NC EDD	52	50	-2
NC	SOUTHWESTERN NC EDD	50	50	0
SC	B-C-D REG PLNG COUNCIL	50	50	0
SC	CATAWBA REG PLNG CNCL	50	50	0
SC	CNTRL MIDLANDS REG PLN	48	48	0
SC	LOW COUNTRY COG	53	53	0
SC	LOWER SAVANNAH COG	54	54	0
SC	PEE DEE REGIONAL COG	54	54	0
SC	SANTEE-LYNCHES	54	54	0
SC	SC APPALACHIAN COG	48	48	0
SC	UPPER SAVANNAH COG	54	54	0
SC	WACCAMAW REG PLNG & DEV CN	54	55	1
TN	E TN DEV DIST	57	55	-2
TN	FIRST TN-VA DEV DIST	52	50	-2
SC	SANTEE-LYNCHES	60	55	-5
SC	SC APPALACHIAN COG	36	36	0
TN	MEMPHIS DELTA DEV DIST	50	50	0
TN	NW TN DEV DIST	51	52	1
TN	SOUTH CNTRL TENN DEV	55	55	0
TN	SOUTHEAST TENNESSEE	51	50	-1
TN	SOUTHWEST TENNESSEE	54	55	1
TN	UPPER CUMBERLAND	55	55	0
	TOTAL, ATLANTA	4,223	4,202	-21

DENVER REGION

ST	APPLICANT NAME	FY 89	FY 90	CHANGE
CO	REGION 10 EDD COLORADO	$50	$50	0
CO	SAN LUIS VALLEY RD & P	55	60	$5
CO	SOUTHERN COLORADO EDD	60	60	0
IA	AREA XV REG PLNG COMM	55	55	0
IA	EAST CENTRAL IOWA IG A	50	50	0
IA	NW IOWA PDC	59	50	-9
IA	SIOUXLAND INTRSTATE MP	50	50	0
IA	SOUTHEAST IOWA (XVI) R	50	50	0
IA	SOUTHERN IOWA COG, INC	60	58	-2
IA	UPPER EXPLORERLAND RPC	50	50	0
KS	GREAT PLAINS DEV. INC.	50	48	-2
KS	NORTH CENTRAL KANSAS R	50	50	0
KS	NORTHWEST KANSAS P&D C	50	50	0
KS	SOUTH CENTRAL KS EDD I	60	57	-3
KS	SOUTHEAST KANSAS RPC	50	50	0
MO	BOOTHEEL RPC & EDC	55	55	0

(in thousands of dollars)

DENVER REGION (Cont'd)

ST	APPLICANT NAME	FY 89	FY 90	CHANGE
MO	GREEN HILLS RPC	$50	$48	-$2
MO	LAKE OF THE OZARKS C/L	50	50	0
MO	MARK TWAIN REG ADVR CO	50	50	0
MO	MERAMEC RPC	60	60	0
MO	MO-KAN REGIONAL COUNCI	38	50	12
MO	NORTHEAST MISSOURI RPC	50	48	-2
MO	NORTHWEST MISSOURI RCG	50	50	0
MO	OZARK FOOTHILLS RPC	55	55	0
MO	SE MISSOURI RPC & EDC	60	58	-2
MO	SO CEN OZARK COG	55	55	0
MT	BEAR PAW DEV CORP/NO M	55	55	0
ND	LAKE AGASSIZ REG COUNC	55	52	-3
ND	LEWIS & CLARK 1805 RCD	55	55	0
ND	NORTH CENT PLAN COUN N	50	50	0
ND	ROOSEVELT-CUSTER RCD	50	50	0
ND	SOURIS BASIN PLNG COUN	50	50	0
ND	SOUTH CENTRAL DAKOTA R	50	48	-2
NE	NORTHEAST NEBRASKA EDD	50	50	0
NE	PANHANDLE RESOURCES CN	50	50	0
NE	RIVER COUNTRY EDD	50	48	-2
NE	WEST CENTRL NEBRASKA E	50	48	-2
SD	BLACK HILLS CNCL/LOC G	55	55	0
SD	FIRST DISTRICT A/L GOV	55	55	0
SD	NORTHEAST COUNCL OF GV	50	50	0
SD	THIRD PLNG & DEV DISTR	55	55	0
UT	FIVE COUNTY UTAH EDD	50	52	2
UT	MOUNTAINLAND EDD	50	48	-2
UT	SIX COUNTY EDD	50	50	0
UT	SOUTHEASTERN UTAH EDD	50	55	5
UT	UINTAH BASIN EDD	50	50	0
WY	LINCOLN-UINTA ASSN/GOV	40	50	10
	TOTAL, DENVER	2,442	2,443	1

CHICAGO REGION

ST	APPLICANT NAME	FY 89	FY 90	CHANGE
IL	BI STATE METRO PLAN CO	$57	$52	-$5
IL	GREATER EGYPT RPC	60	60	0
IL	GREATER WABASH RPDC	46	55	9
IL	SO EASTERN RPDC	46	58	12
IL	SOUTHERN FIVE RPDC	55	55	0
IL	SOUTHWESTERN IL METRO	60	55	-5
IN	IND WEST CENT EDD INC	50	50	0
IN	INDIANA 15 RPC	55	55	0
IN	KANKAKEE-IROQUOIS RPC	42	50	8
IN	REGION 3A	50	48	-2
IN	RIVER HILLS RPC	46	46	0
IN	SOUTHEASTERN IN RPC	46	50	4

(in thousands of dollars)

CHICAGO REGION (Cont'd)

ST	APPLICANT NAME	FY 89	FY 90	CHANGE
IN	SOUTHERN INDIANA DEV C	$50	$50	0
MI	CENTRAL UPPER PENINSUL	64	60	-$4
MI	EAST CENTRAL PDRC	55	52	-3
MI	EASTERN UPPER PENINSUL	60	60	0
MI	NE MICH CNCL OF GOVTS	50	60	10
MI	S CENTRAL MI PLAN COMN	50	48	-2
MI	SOUTHWESTERN MI RPC	50	50	0
MI	TRI-CNTY REG PLG COMM	55	52	-3
MI	WEST MICHIGAN	51	50	-1
MI	WEST MICHIGAN SHORELIN	50	50	0
MI	WESTERN UPPER PENINSUL	64	60	-4
MN	ARROWHEAD REG DEV COMN	70	65	-5
MN	EAST CENTRAL MN RDC	50	50	0
MN	HEADWATERS REG DEV COM	54	52	-2
MN	MID-MINNESOTA DEV COM.	50	50	0
MN	NORTHWEST RDC	50	50	0
MN	REGION 5 REG DEV COMN	50	48	-2
MN	SOUTHWEST REG DEV COMN	50	48	-2
MN	UPPER MINN VALLEY RDC	50	50	0
OH	BUCKEYE HILLS RDD	59	55	-4
OH	NEFCO	55	52	-3
OH	OH MIDEASTERN GOVT ASS	55	55	0
OH	OHIO VALLEY REG DEV CO	55	55	0
WI	BAYLAKE REG PLAN COMN	50	50	0
WI	E CENTRAL WIS	50	48	-2
WI	MISS RIVER RPC	50	48	-2
WI	NO CENTRAL REG PLAN CO	50	50	0
WI	NWEST REG PLAN COMN	53	50	-3
WI	SOUTHWESTERN WI RPC	46	45	-1
WI	WEST CENTRAL WIS RPC	50	48	-2
	TOTAL, CHICAGO	2,209	2,195	-14

SEATTLE REGION

ST	APPLICANT NAME	FY 89	FY 90	CHANGE
AK	KENAI PENINSULA BOROUG	$60	$60	0
AK	NORTHWEST ARCTIC BOROU	70	60	-$10
AS	AMERICAN SAMOA, GOVT O	40	45	5
CA	CENT SIERRA EC DEV DIS	56	55	-1
CA	IMPERIAL, COUNTY OF	45	50	5
CA	SIERRA ECON DEV DISTRI	75	60	-15
CA	SUPERIOR CA DEV COUNCI	65	65	0
CA	TRI-COUNTY ECON DEV CO	70	65	-5
GU	GUAM, GOVT OF	44	45	1
HI	PACIFIC BASIN DEV CNCL	71	75	4
ID	CLEARWATER ECON DEV AS	65	60	-5
ID	EAST CENTRAL IDA P & D	61	58	-3
ID	IDA-ORE PLAN & DEV ASS	75	65	-10
ID	PANHANDLE AREA COUNCIL	62	60	-2
ID	REGION IV DEV ASSN INC	60	58	-2

(in thousands of dollars)

SEATTLE REGION (Cont'd)

ST	APPLICANT NAME	FY 89	FY 90	CHANGE
ID	SE IDAHO COUNCIL,GOVT	$63	$60	-$3
NV	WESTERN NV DEVEL DSTRC	87	50	-37
OR	CCD BUSINESS DEVEL COR	62	60	-2
OR	CENTRAL OREGON INTERGO	56	58	2
OR	EAST CENTRAL OREGON AS	60	60	0
OR	MID WILLAMETTE VALLEYC	48	48	0
OR	MID-COLUMBIA EDD	64	60	-4
OR	NE OREGON ECON DEV DIS	50	50	0
OR	OREGON DISTRICT 4 COG	91	65	-26
WA	BENTON-FRANKLIN GOV CO	58	55	-3
WA	BIG BEND COUNCIL & EDD	55	55	0
WA	CENTRAL PUGET SOUND ED	113	65	-48
WA	KITTITAS-YAKIMA RC & E	60	60	0
WA	PALOUSE ECON DEV COUNC	50	48	-2
WA	PENINSULA DEVEL ASSN	45	48	3
WA	TRICO ECON DEV DISTRIC	60	60	0
	TOTAL, SEATTLE	1,941	1,783	-158

AUSTIN REGION

ST	APPLICANT NAME	FY 89	FY 90	CHANGE
AR	CENTRAL ARKANSAS PDD	$55	$55	0
AR	EAST ARKANSAS P&DD	61	60	-$1
AR	NORTHWEST ARKANSAS EDD	59	58	-1
AR	SOUTHEAST ARKANSAS EDD	65	62	-3
AR	SOUTHWEST ARKANSAS P&D	60	60	0
AR	WEST CENTRAL ARKANSAS	65	62	-3
AR	WESTERN ARKANSAS PDD	60	58	-2
AR	WHITE RIVER P&DD	62	60	-2
LA	CAPITAL REG PLAN COMM	54	58	4
LA	COORDINATING & DEV. CO	57	60	3
LA	EVANGELINE EDD	56	60	4
LA	IMPERIAL CALCASIEU R P	50	55	5
LA	KISATCHIE-DELTA REG PD	54	55	1
LA	NORTH DELTA REG P&DD I	60	60	0
LA	SOUTH CENTRAL PLANNING	50	55	5
NM	EASTERN PLAINS COG	50	52	2
NM	MID RIO GRANDE COG	35	40	5
NM	NORTH CENTRAL NM EDD	60	60	0
NM	NORTHWEST NEW MEXICO C	87	55	-32
NM	SOUTHEASTERN NM EDD	57	58	1
NM	SOUTHWEST NM COG	45	50	5
OK	ASSOC SO CENT OK GOVT	58	55	-3
OK	C.O.E.D.D.	58	55	-3
OK	EASTERN OKLA DEV DIST	62	60	-2
OK	GRAND GATEWAY E.D. ASS	66	62	-4

(in thousands of dollars)

AUSTIN REGION (Cont'd)

ST	APPLICANT NAME	FY 89	FY 90	CHANGE
OK	KIAMICHI EDD OF OKLA	$60	$60	0
OK	NO OKLA DEV ASSN	44	45	$1
OK	SOUTHERN OKLA DEV ASSN	63	60	-3
OK	SOUTHWSTRN OKLA DEV AU	50	50	0
TX	ALAMO AREA COG	50	50	0
TX	BRAZOS VALLEY DEV CNSL	46	50	4
TX	CAPITAL AREA PLNG CNCL	50	47	-3
TX	CENTRAL TEXAS EDD	69	66	-3
TX	COASTAL BEND COG	47	55	8
TX	DEEP EAST TEXAS COG	50	55	5
TX	GULF COAST EDD, INC.	75	60	-15
TX	LOWER RIO GRANDE VAL D	60	60	0
TX	MIDDLE RIO GRANDE DEV	54	55	1
TX	NORTHEAST TEXAS EDD	58	60	2
TX	PANHANDLE REG PLG COMM	44	45	1
TX	SOUTH PLAINS ASSOC GOV	50	50	0
TX	SOUTH TEXAS DEVL CNSL	45	60	15
TX	TEXOMA COUNCIL OF GOVT	47	50	3
TX	WEST CENTRAL TEXAS EDD	88	50	-38
TX	WEST TEXAS ECON DEV DI	49	50	1
	TOTAL, AUSTIN	2,545	2,503	-42
	TOTAL, EDA	16,066	15,678	-388

EDA's FY 1990 District and Area Planning Program was implemented consistent with the FY 1990 Appropriations Act and last year's process. In addition, EDA management is redirecting some $560 thousand from other grant programs for a program level of $15.7 million.

QUESTION:

e. How will EDA apply the sequester? Across the board? Selective cuts? Please provide details.

ANSWER:

The sequester was applied across the board. Each activity in the "Economic Development Assistance Programs" was reduced by 1.38%. Listed below is EDA's grant program by activity/subactivity with the corresponding sequester:

Economic Development Assistance Program

Program by Activity/Subactivity	Appropriation	Sequester
1. Public works grants	$111,368	$1,538
2. Planning assistance	22,995	317
Districts	(15,330)	(211)
Indians	(2,875)	(40)
States	(1,916)	(26)
Urban	(2,874)	(40)
3. Technical assist.	6,706	93
University Centers	(4,790)	(66)
4. Research and evaluation	1,210	17
5. Economic adjustment grant	48,917	675
Sudden and severe projects	(12,454)	(172)
Revolving loan fund projects	(12,203)	(168)
Disaster Relief	(24,260)	(335)
Total	191,196	2,640

QUESTION:

f. What criteria does EDA follow in submitting formal reprogramming requests to the Appropriations Committees? If EDA shifts more than $500,000 within a subline (e.g., within the planning grants account) and not between sublines, does it think it has to file a formal reprogramming? If not, why not?

ANSWER:

The reprogramming criteria used by EDA are those provided in P.L. 101-162, Title VI - General Provisions, Section 606(a) and (b). A reprogramming request would be required if amounts to be shifted within the planning grants account exceeds 10 percent or $500,000, whichever is less.

QUESTION:

g. Does EDA plan to change the match amount which state planning districts must raise? Right now, the fed contribution is 75% with a 25% match. Does EDA want to change it to 60/40? If so, why?

ANSWER:

EDA currently funds up to 75% of planning districts with a minimum 25% local match. EDA has not considered changing this ratio, and doesn't have any current plans to change it in the future.

TECHNOLOGY ADMINISTRATION

Clearinghouse on State and Local Technology Transfer Initiatives

QUESTION:

As you know, I have a strong interest in the Clearinghouse on State and Local Technology Transfer Initiatives for which $500,000 was appropriated in FY 1990. I would appreciate a status report on this program's activities.

ANSWER:

The Clearinghouse on State and Local Technology Transfer is a principal means of outreach for the Technology Administration to the states helping to promote the commercialization of technology developed in Federal laboratories.

The Clearinghouse function is included in the overall Technology Administration appropriation. The Clearinghouse was allocated $250,000 from the total FY 1990 Technology Administration appropriation of $3.9 million.

The Clearinghouse is undertaking three very important roles during 1990, all of which are elaborated upon in our Second Annual Report of the Clearinghouse, to be released shortly.

First, the Clearinghouse will serve as a repository of information on federal, state and local initiatives being undertaken to enhance competitiveness.

The electronic database contains approximately 900 entries cataloging state assistance programs. We have used the database in several ways. We have been fielding calls from businesses and individuals, helping them define their questions and then referring them to resources which are usually in place in their home states. In addition, we have furnished information to the Joint Economic Committee on venture and seed capital sources on a state by state basis. We have also furnished information on financing new/small businesses to an Interagency Working Group of Federal Laboratories.

Second, the Clearinghouse will serve as a network, fostering the sharing of resources and experience among States in providing information and assistance to help businesses become more competitive. In this regard, we have been meeting extensively with major public interest groups such as the National Governors' Association.

Third, the Clearinghouse will serve policymakers by providing information on the effectiveness of these initiatives. In our meetings with public interest groups and provider organizations, we have sought their input to help develop priorities for the Clearinghouse for the FY 1990 and beyond program.

MINORITY BUSINESS DEVELOPMENT AGENCY

QUESTION:

I noted with interest the $6.4 million increase in the Minority Business Development Agency's budget from the FY 1990 appropriation. Will the increase be used to restore programmatic cuts or to develop new initiatives? If it is to develop new initiatives, what are they?

ANSWER:

The requested increase will be used to develop new initiatives and to expand some of the old ones, to upgrade and strengthen the Minority Business Development Agency programs.

In 1991, with the requested increases in the Enterprise Development activity, the quality of the services by the MBDCs will be improved by increasing the amount of funding per staffyear (including overhead) by $7,000 to $10,000 over the current level. This increase will allow the MBDCs to attract and retain higher quality staff; those who have greater business expertise. It will also help to prevent staff turnover and give greater stability to the program.

Additionally, the MBDC program will be improved by reducing some of the administrative and programmatic burdens, such as reducing reporting requirements, improving grant application and renewal procedures, and by streamlining or reducing other program requirements which may no longer be cost effective. Project monitoring would be improved to include better client verification and verification of services provided.
Part of the increase will be used to increase the number of Indian Business Development Centers (IBDCs) from six to nine.

The three additional IBDCs, which we intend to fund, will be located in areas which we do not service with our current IBDC program. Our fund allocation formula requires that we fund centers in areas with the highest concentration of Indian population, in descending order of population. The centers for which we are requesting additional funding will be located in areas with the next

highest concentrations of Indian population. This will raise MBDA's presence in geographical service areas to include approximately 63% of the American Indian population.
The services provided by the IBDCs are as follows:

- Develop and maintain inventories of area resource opportunities, e.g., market, capital and business ownership.

- Broker resource opportunities between qualified Indian entrepreneurs and public and private sectors.

- Provide management and technical assistance to clients ranging from initial client consultations to the identification, analysis and resolution of specific business problems.

- Advocate, with public and private sectors, to obtain maximum support for the Indian business community it services. An example, would be getting public and private sectors to make procurements under the Buy Indian Act.

The new rural assistance program will be a competitive program located in the rural areas of the country with the highest concentrations of rural minority population and rural minority businesses, as defined by the U.S. Department of Agriculture, which defines rural areas and rural businesses. We will work closely with Farmers Home Administration (FHA) to provide management and technical assistance to their loan applicants and recipients. However, MBDC's will provide services to all segments of rural MBE development in addition to FHA clients.

The requested increase of six positions and $577,000 in Resource Development will be used for new and expanded initiatives.

In the Private Sector Programs for Resource Development, we will expand our capital development program to include:

- two specialists to address the two broad categories of debt and equity capital.

The capital market has become very specialized with debt and equity capital being separate and distinct areas. In an effort to increase minority business enterprise's (MBEs) access to capital, we will identify and direct capital to MBEs through the network of MBDA funded organizations. This will require the services of separate specialists in these areas.

Our franchise initiative will be expanded to include:

- partnership agreements with various organizations within the franchising/distribution industries to increase minority ownership.

Since the franchise/distribution industries reduce the risk and uncertainty of new business starts, our plan is to make this industry more accessible to MBEs. To implement this, a specialist knowledgeable in the franchise/distribution industries is requested.

We plan to expand our International Trade Missions program. To do this we are requesting a total of $123,000, including one position.

The international market offers export opportunities, but MBEs have failed to impact the market in significant numbers. This is primarily due to the limited access of minority businesses export opportunities. To increase the exposure to the international market, we are proposing to do the following activities:

- participate, collaborate and promote trade missions that will educate minority businesses on the mechanics of exporting,
- identify minority firms to participate in matchmaker trade delegations,
- work with other departmental bureaus such as ITA, BXA, and USTTA to ensure that minority businesses take advantage of Commerce programs whose primary mission is to increase export opportunities for U.S. businesses,
- work with other Federal agencies such as the State Department and the Agency for International Development.

We are requesting $100,000 for our Trade Association initiative. Trade Associations act as advocates for their members as well as the minority business community. These Associations will function as part of MBDA's service network and supplement the other MBDC programs in responding to minority business needs.

Through this initiative, we will:

- participate with minority industry and trade associations to conduct activities designed to foster and strengthen networking among MBEs, and
- increase the accessibility of business opportunities for minorities.

In the Public Sector of Resource Development, we are requesting $149,000 including one position to implement a state and local initiative. We are proposing to:

- assist MBEs in gaining greater participation in public sector business opportunities,
- facilitate networking throughout specific areas of the country, to identify outreach, contracting, procurement and financial assistance opportunities, and
- encourage and pursue avenues to enhance access to more contracts and grants for the minority business community.

We propose to do this by targeting cities and states that are conducting economic revitalization programs for MBEs, fund a state or local organization to assist in the achievement of our goals, and advocate on behalf of MBEs at the state and local level.

We are requesting one position and $49 thousand to implement the agency's responsibilities under Executive Order 12432 and to coordinate our Minority Business Opportunity Committee (MBOC) initiative. Based on the MBOCs still in existence and the success and effectiveness the Agency has had in previous years, we are planning to:

- actively coordinate all federal efforts to assist in MBE development, and
- fund demonstration projects in select cities to focus on such activities as recommercialization of inner cities.

We are requesting $75,000 in Advocacy for necessary expenses of the Minority Enterprise Development Advisory Council. It will meet six times a year and is comprised of business experts from the public and private sectors. The council will advise the Secretary of Commerce on programs and policies relating to minority business enterprise. Our request for $25,000 is to increase public awareness of MBDA programs.

With $515,000 in Research, we will conduct policy analysis and program evaluation studies, particularly in the area of program impact evaluation. The program impact studies will investigate not only whether programs are meeting their objectives but also if they are having a positive impact on minority business development and economic development.

We are requesting $500,000 in Information to provide the F.W. Dodge Data Line information service of construction opportunities. This service is a tool that will be used by the MBDC network to identify construction contracts and subcontracting opportunities for their minority business clients. The Dodge system is one of the most economical approaches to assist in the estimation of construction jobs and exploration of market opportunities.

In addition, $146,000 and two positions are requested to establish the Minority Business Enterprise Information Center (MBEIC). The MBEIC will serve as a clearinghouse for information for and about minority-owned businesses.

Until now, our research program has focused on the nature and condition of minority enterprises and their problems. Our discovery included:

- Most minority-owned firms are still concentrated in industries with little growth potential.
- Many minority groups are hampered by low business formation rates.
- Access by minorities, to financial capital markets is limited.

Currently, we use this information to develop policies and programs that will effectively address these issues. To insure program effectiveness it is important to evaluate them in the face of changing business and economic trends. Therefore, in addition to policy analysis, a portion of the requested increase will enable MBDA to expand its impact evaluation studies programs as they relate to the following areas:

- Federal, state, local, and private minority business development programs.
- Regulatory, institutional, and discriminatory barriers to minority business development.
- Macro socioeconomic changes in the global economy, as they affect minority business development strategies.
- Strategic market development in high growth areas such as international trade and telecommunications.
- Federal strategies for urban recommercialization in minority communities.

GAO Report

QUESTION:

What steps has MBDA taken to cure the problems identified in GAO's January 1990 report (i.e., long grant-processing delays and overstaffing)?

ANSWER:

In an effort to support the President and the Department's commitment to reinvigorate the Minority Business Development Agency and address the concerns raised in the January 1990 GAO report as well as past GAO reports, MBDA has taken the following actions:

- Established working groups to perform independent reviews and assessments of headquarters and regional organization structures, operations and staffing.
- Solicited proposals from consulting firms to conduct a complete evaluation of MBDA's organizational structure, grants process, request for application, and Business Development Center performance goals.
- Initiated development of a Total Quality management control procedure that will properly address technical quality control issues as well as programmatic issues and concerns.
- Developed joint initiatives with Department bureaus to foster increased minority business development in the areas of franchising, telecommunications, travel and tourism, public and private sector initiatives, and international trade.
- Inspected the capabilities of the regional offices to ensure compliance with internal controls and to guard against waste and abuse.
- Transferred an experienced Regional Director to Headquarters to establish a task force to eliminate the backlog in grant awards, particularly the Resource Development grants.
- Established a special awards condition for those grant applicants for whom the Office of Inspector General has not established an indirect cost rate.
- Established weekly meetings with the Office of Finance and Federal Assistance, the Department's grants office, to discuss the status of grants and related issues.
- Begun streamlining the review process and instituting training sessions for all MBDA employees involved in the grants evaluation process.

QUESTION:

Is there any part of the GAO report with which MBDA disagrees?

ANSWER:

MBDA will address all of the issues identified in the January 1990 GAO report. The Director of MBDA, Kenneth E. Bolton, is particularly concerned with the response by MBDA officials that the staff could have been better utilized and clients better served if staff had been given additional duties such as advocacy, outreach, and more comprehensive program monitoring. The Director has initiated restructuring and realignment efforts within MBDA to address the utilization of staff.

In addition to the aforementioned actions to address the grant delays and overstaffing, MBDA will improve the service delivery system to ensure continued client satisfaction. This effort is reflected in MBDA's budget request which includes an additional $3,774,000 for the Enterprise Development Program. Of this amount, $2,874,000 will be used to improve the quality of services provided by the Minority Business Development Centers (MBDCs). These resources will be used to increase the amount of MBDC funding per staffyear (including overhead) by $7,000 to $10,000 over the current level. This increase will allow the MBDCs to attract and retain higher quality staff; those who have greater business expertise. The increased resources will also help to prevent staff turnover, give greater stability to the program and ultimately result in increased client satisfaction.

QUESTIONS SUBMITTED BY SENATOR FRANK R. LAUTENBERG

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Right Whale Research

QUESTION:

What is the status of NOAA's Atlantic Coast right whale research program? Please summarize the effort's findings.

ANSWER:

During the five-year period FY 1986 to FY 1991, many research activities were conducted to improve our understanding of the northern right whales' distribution and habitat requirements. Major accomplishments include: 1) organizing all previous sighting information into a master data base so that individual animals can be identified and their distribution mapped; and, 2) through additional sighting surveys expanding our knowledge of distribution and habitat requirements, including the critical role of the Bay of Fundy and Browns Bank, both of which are in Canadian waters.

QUESTION:

Have we learned all that we need to learn to protect the right whale from extinction?

ANSWER:

We know that mortality from ship collisions is the major direct human impact affecting the recovery of the northern right whale. Entanglement in fishing gear also impacts the species, but the extent is not known. Methods to eliminate or mitigate these impacts are still being identified, and they will be reviewed as part of the species recovery plan this spring.

QUESTION:

Why is NOAA proposing to eliminate the program?

ANSWER:

By the end of FY 1990, NMFS will have an approved Recovery Plan for the northern right whale, which will identify information and management needs necessary for the recovery of the species. At that time, NMFS will evaluate the available information and determine future research and recovery needs to be pursued through the base endangered species program.

QUESTION:

What is the population of the Atlantic right whale?

ANSWER:

The population of the northern right whale in the North Atlantic is estimated to be 300-350 mammals.

QUESTION:

Does NOAA have any other programs which specifically address Atlantic right whales?

ANSWER:

Yes, impacts to northern right whales are also addressed under the section 7 consultation process of the Endangered Species Act. Section 7 consultations are required for all Federal activities which may affect a listed species.

National Marine Fisheries Service

QUESTION:

NOAA is proposing to decrease its marine resource data collection, research, analyses, and dissemination programs by $8.3 million. Why is NOAA proposing to decrease the budget for this subactivity?

ANSWER:

Getting the national budget deficit under control must be viewed as our highest priority. In preparing the FY 1991 budget proposal, we identified programs absolutely essential to conserve and manage the Nation's living marine resources. The proposed program reductions were identified as low priority projects and activities which the Administration believes are not critical parts of our research, data acquisition, and analysis efforts.

QUESTION:

How will the collection of accurate scientific data by the National Marine Fisheries Service for the development and updating of fisheries management plans be affected by the proposed decrease of funds?

ANSWER:

The President's Budget will increase, not decrease, the amount of scientific data available for the development and updating of Fisheries Management Plans. The budget requests $10.2 million in new enhancements to strengthen information collection and analysis in urgent regional and national programs, including $1.0 million for PacFIN (Pacific Fisheries Information Network) and $1.7 million to begin replacing the deteriorating NMFS nationwide statistical data management computer system. The proposed decreases are, for the most part, unrelated to the development of management plans and therefore will have no significant impact on their development and updating.

QUESTION:

What plans has NOAA made for the dissemination of data under this budgetary climate?

ANSWER:

The current information dissemination mechanisms will be augmented by proposals to improve NOAA's information dissemination infrastructure as part of both the Coastal Ocean and the Global Change programs. Furthermore, a portion of the $10.2 million in new program enhancements for fisheries information activities will be used for efforts associated with data dissemination, e.g., PacFIN.

QUESTION:

NOAA is proposing to close and consolidate some National Marine Fisheries Service Facilities, which along with related management actions, will save $4 million.

Will the proposed budget cuts affect monitoring, research, and habitat conservation operations at the Sandy Hook National Marine Fisheries Lab? If so, please describe.

ANSWER:

First, it is important to recognize that the proposed consolidation is not intended to eliminate NMFS programs. The intent is to conduct these programs more efficiently by combining similar facilities and thereby eliminating unnecessary overhead. Second, the proposed nationwide savings for this consolidation were based on a recent review of the laboratory facilities in the NMFS Northeast Region.

A national study is underway to determine how the consolidation will be implemented. Therefore, no decision has been made yet regarding specific labs, including Sandy Hook.

QUESTION:

In 1991, NOAA estimates that 42 Fishery Management Plans will be in effect. Yet, NOAA has proposed a $9.5 million cut in the conservation and management operations subactivity budget.

Will the proposed budget cuts affect enforcement of fishery management plans?

ANSWER:

No, the proposed decreases would have no effect on the NOAA FMP enforcement activities. The reductions are concerned primarily with the proposed transfer of salmon hatchery funding responsibility to a non-Federal source ($9.3 million). This funding responsibility, which supports the operation and maintenance of Columbia River salmon and steelhead hatcheries, would be transferred to the electricity ratepayers of the Pacific Northwest through the Bonneville Power Administration. This transfer is based on the rationale that the benefits of these hatcheries accrue primarily to the region, and that the primary purpose of the hatcheries is to mitigate the effects of the hydroelectric dams on the Columbia River. The decrease in this subactivity would also terminate funding ($471,000) for lower priority activities associated with Georges Bank fisheries. Cooperative work with the Canadian government will continue within other NOAA programs and through existing U.S.-Canadian agreements.

QUESTION:

Under the proposed budget, what is the likelihood of effective prosecution?

ANSWER:

The proposed budget cuts are not expected to reduce effective prosecution. Enhanced enforcement funding in NOAA's FY 1990 appropriation will continue in the President's FY 1991 base budget. Efforts to improve the fisheries prosecution will be continued within the proposed NOAA FY 1991 budget.

Management Plan for the Conservation of Atlantic Swordfish

The South Atlantic Fisheries Management Council is in the process of developing a new swordfish management plan.

QUESTION:

Why is the South Atlantic Fisheries Management Council the only Council responsible for managing Atlantic swordfish which are a highly migratory species? Isn't the regional Fisheries Management Council system designed to develop consensus locally among those who are affected by proposed fisheries regulations? Isn't it inconsistent to allow one regional council to impose a plan that significantly affects fishermen outside that one region?

ANSWER:

The Secretary of Commerce originally designated the FMP joint preparation of the five Atlantic Councils. As provided by the Magnuson Fishery Conservation and Management Act, joint FMPs require formal adoption by all Councils involved (majority vote of each Council) before submission for Secretarial approval. In part, because of regional disagreement over proposed management measures for the swordfish fishery, nearly seven years were required for all five Councils to reach acceptable compromises and formally adopt the FMP. This experience indicated that while the concept of joint-Council FMPs for wide-ranging species is reasonable, it can be expensive and time delays may pose real threats to the condition of heavily exploited fishery resources. For these reasons, the National Marine Fisheries Service's Southeast Regional Director, on behalf of the Secretary, redesignated the FMP as a single Council plan in 1985 at the time the FMP was partially approved. The South Atlantic Council was designated responsibility for monitoring FMP implementation and for preparing subsequent FMP amendments.

QUESTION:

Would NOAA consider reinstating the Atlantic swordfish management plan as a multi-council plan as opposed to the current single council jurisdiction?

ANSWER:

NMFS has recently considered this in response to a 1989 request by the New England Fishery Management Council to reinstate the multicouncil status. As a basis for responding to the New England Council, NMFS requested the views of the other Councils. The Gulf of Mexico, Mid-Atlantic, and South Atlantic Councils strongly opposed any changes in the Council designation at this time. The New England and Caribbean Councils supported redesignation of the FMP as a five-Council FMP. The South Atlantic Council recently held coastwide public hearings on its draft Amendment 1 to the FMP, and is currently preparing a final Amendment 1, which it believes is necessary to protect an over-fished swordfish resource. In consideration of the history of problems and delays associated with preparing a five-Council FMP where immediate conservation is required, NMFS determined that it is unwise to change the single-Council designation at this time.

QUESTION:

What steps are being taken to coordinate U.S. regulatory efforts with negotiations designed to gain conservation participation by all nations catching significant quantities of swordfish?

ANSWER:

At the 1987 International Convention for the Conservation of Atlantic Tunas (ICCAT) meeting, the U.S. expressed concern over "the apparent decline in the swordfish resource, at least in the area within the geographic jurisdiction of the United States." The U.S. urged continued monitoring and assessment of the stock and endorsed a request for a second workshop to update the data base and complete the assessment. In 1988, the U.S. reiterated its concern about the status of swordfish in the North Atlantic, noting that while the results of the latest assessment were not conclusive, it appeared that fishing mortality rates were very high and that the adult spawning stock had been markedly reduced. Again, the U.S. urged that the swordfish stock assessment be completed.

In August 1989, the U.S. circulated notice to ICCAT member nations that the U.S. would closely monitor the review of the swordfish stocks and would reserve its option to propose recommendations at the 1989 meeting.

During the 1989 ICCAT meeting, the U.S. received support from a number of countries, particularly Canada and

Japan, for its attempts to address the swordfish situation. Preliminary dialogues have been conducted with the Canadian government to learn of the Canadian schedule for addressing domestic management schemes for swordfish and to reiterate our interest in further consultations on a bilateral and multilateral basis. Canada has indicated that it will approach Spain on a unilateral basis and reiterate its concern over swordfish and the need for international management measures. No overtures have been made to Japan. The U.S. has proposed a meeting with Canadian representatives to ascertain Canada's position on implementing unilateral measures for swordfish prior to the 1990 meeting. Such a consultation should include discussion of preparations for the 1990 meeting, as well. The U.S. has also proposed that a U.S. delegation, including (one or two) scientists meet in March or April with Spanish and EC representatives to: (1) review outstanding questions on scientific methodology and analysis; and, (2) discuss possible swordfish management measures for 1990 including the following options:

a. A unilateral 20-percent reduction in current fishing effort on swordfish by each country in international (or domestic) waters. A fallback position would be placing a cap on fishing effort in international or domestic waters.

b. A size limit (possibly 50 lbs. dressed weight) on swordfish taken by each country's fleet. This would also indicate that an import embargo on undersized swordfish is an undesired, but possible, domestic response, if cooperation is not received.

The U.S. is proposing an international workshop on swordfish in August to: (1) review the methodology used to analyze the stock; and, (2) conduct the 1990 stock assessment, using 1989 data.

Bluefish Management Plan

QUESTION:

On May 17, 1989, a draft bluefish management plan was adopted by the Atlantic States Marine Fisheries Commission and the Mid-Atlantic Fisheries Management Council in cooperation with the National Marine Fisheries Service, the New England Fishery Management Council, and the South Atlantic Fishery Management Council. In the draft, the commercial fishery, on a coast-wide basis, will be limited to 20 percent of the total catch each year. The recreational anglers will be restricted to a possession limit of no more than 10 bluefish per outing.

What efforts has NOAA taken to insure that the ten fish catch limit does not discriminate against the poor, the elderly, or minorities?

ANSWER:

The ten-fish possession limit will affect only 7.3 percent of anglers. This impact may be mitigated through provisions for obtaining a Federal permit or using an existing state commercial permit to exceed the bag limit. The cost of a state permit ranges from $15 to $150 for residents, and up to $1,000 for nonresidents, depending on the management authority from which it is purchased. If the cost of a state permit is considered prohibitive to an angler, he or she can obtain a Federal permit if there is no intent to sell the catch in a state that requires a permit for the sale of fish. Since the cost of a Federal permit is limited to the administrative costs of its issuance, the fee will be nominal, if the Regional Director imposes a fee.

QUESTION:

What efforts have been taken by NOAA to insure that a balance is struck between the commercial and recreational fishing catch?

ANSWER:

The Mid-Atlantic Fishery Management Council, in cooperation with the Atlantic States Marine Fisheries Commission, outlined five goals in the FMP that must be achieved to bring about the FMP objective, conservation of this resource. It is intended that one of those goals, to "provide the highest availability of bluefish to U.S. fishermen while maintaining, within limits, traditional uses of bluefish," will be achieved through the allocation system outlined in the FMP for the recreational and commercial fisheries. The 20 percent commercial allocation, although an increase from the historical 12 percent average catch, will allow controlled growth from the additional anglers who opt to purchase commercial permits. It will also provide a buffer against variations in the recreational catch that could result in unwarranted controls on the commercial fishery. When the commercial portion of the catch reaches 17 percent, controls may be imposed, reducing the likelihood that 20 percent will be exceeded.

BUREAU OF EXPORT ADMINISTRATION

Trade Barriers

QUESTION:

New Jersey business people tell me that some of the steepest trade barriers they face in doing business abroad are a result of U.S. Export Regulations, specifically, strategic trade controls. These regulations have an especially deadly affect on the U.S. high-technology trade. What are you doing to ameliorate this situation?

ANSWER:

During the COCOM Executive Committee meeting held February 13-14, 1990, the United States, along with its COCOM partners, committed to a significant streamlining of the COCOM control list. As noted previously, COCOM working groups on computers, telecommunications and machine tools are expected to present their proposal in June. Existing control of these areas represent a significant portion of the total (current) U.S. exports. In addition to being an active participant in this streamlining process, the President has requested a National Security Strategic Review to determine how the U.S. export control list should be modified to better reflect the strategic threat posed by the Soviet Union. We anticipate that both the COCOM streamlining and this internal U.S. review will have a positive impact on U.S. industry's efforts to increase exports of high technology.

Harmonizing of Strategic Controls

QUESTION:

The list of items embargoed by strategic trade controls doesn't seem to reflect the strategic changes in Eastern Europe. Telecommunications sales to the developing democracies of Eastern Europe are especially hard hit. What is the Department of Commerce doing to harmonize strategic controls with the new political reality in Eastern Europe?

ANSWER:

The Department of Commerce currently has representatives to the COCOM working groups who are focusing efforts to liberalize export controls on three areas. One of those areas is telecommunications equipment.

INTERNATIONAL TRADE ADMINISTRATION

DOC Efforts to Assist U.S. Firms in Eastern Europe

QUESTION:

Mr. Secretary, I was pleased to learn that the Commerce Department opened the East European Information Center in January. How else is the Commerce Department aiding U.S. businesses in exploiting the opportunities in Eastern Europe?

ANSWER:

In addition to the East European Business Information Center, we are expanding our capability to provide business counseling in Washington and abroad.

US&FCS commercial offices, currently in Moscow, Warsaw, Budapest, and Bucharest, are in the forefront of analyzing the swiftly-changing events to identify business opportunities for U.S. firms. We are opening new US&FCS commercial offices in American Embassies in the German Democratic Republic and Czechoslovakia, and increasing existing staff in other East European countries.

We are sponsoring trade fairs in virtually every East European country this year (all except Albania), and expect significantly expanded U.S. exhibits. We also will increase the number of trade missions to the region in sectors of particular promise, and are cooperating with OPIC on its investment missions.

We are working directly with the governments of the region to improve the business environment for U.S. companies. We just finished negotiating a Business and Economic Agreement with Poland that will help to stimulate new investments by improving the current business climate in Poland. The Commerce Department is planning to negotiate similar agreements with other countries in the region.

We also have regular joint trade commissions with the Soviet Union, Poland, Hungary, and Romania in which senior U.S. officials and their foreign counterparts discuss ways to facilitate expanded trade and commercial cooperation.

European Community Access

QUESTION:

The European Community (EC) presents American business with some fine opportunities as well as some real problems. U.S. companies feel pressure to invest in the EC, while some EC actions appear to reflect a policy intended to develop European industries, not create an open market.

For example, our semiconductor industry has been hurt by EC tariffs, rules of origin for printed circuit boards, and local content requirements for automobiles, among others. The pharmaceutical industry also faces EC duties on its products which were not charged in the past.

What steps is the Administration taking to guarantee a level playing field to U.S. manufacturers doing business in the EC?

ANSWER:

Guarantees of a level playing field are hard to come by. What the Administration has done to make sure that U.S. business can rely on openness for investment in the European Community is to set down the conditions for a level playing field in the OECD, the Friendship, Commerce and Navigation bilateral treaties, and the Uruguay Round negotiations. These are principles to be relied upon by business. We are pressing aggressively to deepen these protections.

Recently, the EC has taken certain steps in semiconductors, automobiles, procurement, and pharmaceuticals. In several of these instances where the United States is affected, we have pressed aggressively in bilaterals for the EC to terminate or clarify these practices to assure our continued access and interests.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

ECONOMIC DEVELOPMENT ADMINISTRATION

Marshall University

QUESTION:

The FY 1991 President's Budget again proposes to phase out the Economic Development Administration (EDA) assistance programs for which the Congress provided $188.5 million in FY 1990. I am advised that for the State of West Virginia, an amount of $4,202,000 was obligated for twenty projects in FY 1989. These projects are very important for the economic recovery of states such as West Virginia. One such project, a $200,000 grant to Marshall University in Huntington, West Virginia, was earmarked in the FY 1989 Commerce, Justice, State Appropriation bill, but has still not yet received funding despite follow up language included in the FY 1990 appropriation bill, at my request, that funds be made available for those projects earmarked in FY 1989 but not yet funded.

Please provide, for the record, a status report on this project, including significant milestone events leading to award in compliance with the expressed intent of Congress as articulated in the joint explanatory statement of the Committee of Conference on the FY 1989 Commerce, Justice, State Appropriation bill (p. 9, House Report 100-979), and the FY 1990 Commerce, Justice, State Appropriation bill (p. 5 of House Report 101-299).

ANSWER:

The grant to Marshall University for a flexible manufacturing facility is expected to be awarded in three to four weeks. There are no substantial milestones; the grant is being reviewed consistent with normal operational procedures. These include establishing an accounting/audit trail; placement in the Agency's management information system; submission to the Department's Financial Assistance Review Board; formal signature/announcement. Application of the

G-R-H sequestration did, however, reduce the amount from $200,000 to $197,000.

INTERNATIONAL TRADE ADMINISTRATION

Coal Exports

QUESTION:

Last year, at my request, the Committee included language in the report accompanying the FY 1990 Commerce, Justice, State Appropriation bill, expressing its concern that the United States may be disadvantaged in the international marketplace, as a result of practices in other nations, mainly involving subsidies.

Subsequent to the hearings, you indicated that a final report would be completed by the end of June 1989. On May 26, 1989, you transmitted to the Congress a report identifying the existence and use of government assistance measures and incentives that foreign nations give their coal industries, particularly those aids that promote and facilitate the export of coal, and indicated that this was the first phase of the study. A synopsis of this report is inserted in the record following the answer to this question. When are subsequent phases of the study expected to be completed? May I have your assurances that you will keep me fully informed on this important matter?

ANSWER:

Part II of the foreign coal subsidies study requested by Congress is underway and a draft is scheduled to be completed in April 1990. This second part addresses two questions: (1) what would be the impact on international coal trade if the European Community eliminated all coal subsidies, and (2) if all EC subsidies were abolished, what is the potential for increase in U.S. coal exports. I assure you that Commerce will keep the Appropriations Subcommittee fully informed on the status of this study, and we would welcome an opportunity to discuss the results of our study when it is completed.

SYNOPSIS
SURVEY OF GOVERNMENT ASSISTANCE FOR THE WORLD'S HARD COAL INDUSTRIES
(U.S. Department of Commerce)
May 1989

This report, requested by Congress, identifies the existence and use of subsidies and incentives that foreign nations give their coal industries. The report surveys 22 countries that account for about 98 percent of the world's annual hard coal production and supply almost all the coal involved in international trade.

The surveyed countries are classified into four categories -- competitive, protected, centrally planned, and newcomers. Each of these groups represents a relatively distinct relationship a national coal industry has with its markets and the general nature of government assistance.

Competitive coal industries are market-based in both domestic and international markets. Protected coal industries require government assistance and protection from imports for a significant part or all of coal production to continue. Centrally planned industries have total government administration over coal production, distribution, and use. Newcomers have recently developed their coal production.

In 1987, market-based coal production accounted for 35 percent of total world hard coal production and 71 percent of the coal sold in world trade. Market protected coal industries accounted for 13 percent of world production and 3 percent of internationally trade coal, while centrally planned industries represented about 50 and 23 percent, and newcomer industries 1 and 3 percent, respectively. While practices can vary between countries in the same group, following are the general types of aids in each category.

Competitive -- Countries in this group are Australia, Canada, South Africa, and the United States. Governments in these countries do not provide industry-wide financial assistance to maintain current production or expand exports, nor do they have policies which restrict imports. Substantial government funds are provided for research and development, which are aimed at achieving more efficient and safer mining methods and advanced coal use technologies having less adverse effects on the environment.

Protected -- Countries in this category include all six European Community producers (Belgium, France, Germany, Portugal, Spain and the United Kingdom), plus India, Japan, Korea (South), the Philippines, and Taiwan. Government assistance is provided in the form of deficit operating grants, investment aids, and price supports. Import restrictions are used to enforce coal use directives aimed at ensuring captive markets for domestic coal.

Centrally Planned -- Countries in this category are China, Poland, and the Soviet Union. Coal production, exports and domestic consumption are based on government-set targets reflecting national priorities. Domestic coal prices are often set below production costs, requiring financial assistance from the governments to cover operating losses. Export prices to market-based countries are determined by the competition. Export prices to other centrally planned economies are usually based on the relative values of countertraded goods.

Newcomers -- Countries in this group are Colombia, Indonesia, Malaysia, and Venezuela. The main forms of government assistance are investment aids and tax credit incentives to encourage construction of new mines and new or expanded export infrastructure facilities.

This survey showed that a variety of policies and government assistance measures are currently in use to protect indigenous coal production from internal and external competition. Market interventionist policies, subsidies, and import restrictions reduce the potential for international trade in coal and distort the economics of coal use.

While this report provides some insight into international coal flows if all governments removed measures supporting indigenous coal production, a realistic assessment of future prospects for world coal trade requires detailed examinations of the energy, industrial, environmental, and social policies of all coal producing and consuming nations.

Charleston, West Virginia District Office

QUESTION:

Last year, at my request, the Committee included language in the report accompanying the FY 1990 Commerce, Justice, State Appropriations bill, directing that the Charleston, West Virginia International Trade Administration office remain in operation at current levels. May I have your assurances that this office will remain open at current levels? Please provide, for the record for the years 1989, 1990, and project 1991, the staffing and funding levels of the office.

ANSWER:

In FY 1989, the Charleston District Office had a staffing level of 4 with total funding at $169,432.

In FY 1990 and 1991, we expect the staffing to remain at 4 with an equivalent funding level.

NATIONAL TELECOMMUNICATIONS & INFORMATION ADMINISTRATION

Public Telecommunications Facilities Program

QUESTION:

It is my understanding that the Public Telecommunications Facilities Construction Grant Program is again being proposed for elimination in the FY 1991 President's Budget. The appropriation for this program is $20 million in FY 1990. I understand that $554,708 was obligated for two West Virginia projects in FY 1989. Grants were awarded to the West Virginia Educational Broadcasting Authority in Beckley ($186,298) and Huntington ($368,410), West Virginia. What is the current status of these grants? May I have your assurances that you will continue to keep me fully informed regarding the status of these projects?

ANSWER:

In September 1989, the Public Telecommunications Facilities Program (PTFP) awarded two grants to the West Virginia Educational Broadcasting Authority.

The Beckley award, in the amount of $186,298, was granted to improve the facilities of public television station, WSWP-TV, Channel 9, by replacing three outmoded color studio cameras, a field camera, and three 19-year old synch generators.

The Huntington award, in the amount of $368,410, was granted to improve the production capabilities of public television station WPBY-TV, Channel 33, by replacing worn-out and obsolete studio cameras, monitoring equipment, and mounting equipment.

Both projects are proceeding on schedule. The Beckley station has purchased virtually all of its new equipment, apart from a field camera, and synch generator. The grant recipient has drawn $170,483 in Federal funds. Completion of this project is expected in September 1990.
The Huntington station is reviewing bids on the equipment it expects to purchase, and will contract with a vendor within the next two months. The grant recipient expects to begin drawing Federal funds on the project as soon as the successful bid is accepted. Completion of this project is expected in the summer of 1991.

You can be assured that we will continue to keep you fully informed of the status of these two projects.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

National Weather Service Stations

QUESTION:

As you may recall, last year the Committee included the full amount necessary to carry out your announcement that the Nation's weather service stations would remain in service at current operating levels through FY 1990. In making your announcement you said that, "closing any of the stations at this point might reduce service to the public, when we are, in fact, working to improve that service. I intend to work closely with the Congress to insure maintenance of the quality and coverage of the National Weather Service."

Please provide, for the record, a table showing the location, staffing, funding, and hours of operation of the Weather Service offices in West Virginia for FY 1989 and 1990 as well as projected data for 1991.

May I have your assurances that Weather Service Stations in West Virginia will be maintained at current operating levels for FY 1991 and subsequent budget years?

ANSWER:

OFFICE IN WEST VIRGINIA

OFFICE	STAFFING LEVEL*		HOURS OF OPERATION	FUNDING
WSFO Charleston	FY 89	24	24 hrs. daily	1,294
	FY 90	24	24 hrs. daily	1,350
	FY 91	24	24 hrs. daily	1,404
WSO Huntington	FY 89	8	24 hrs. daily	416
	FY 90	8	24 hrs. daily	437
	FY 91	8	24 hrs. daily	458
WSO Beckley	FY 89	6	24 hrs. daily	332
	FY 90	6	24 hrs. daily	349
	FY 91	6	24 hrs. daily	365
WSO Elkins	FY 89	4	16 hrs. daily	198
	FY 90	4	16 hrs. daily	206
	FY 91	4	16 hrs. daily	215

* The staffing levels have been temporarily lower during these periods because of vacancies due to transfers, retirements, etc.

The Weather Service offices in West Virginia will be maintained at current operating levels through FY 1993. After that year the National Weather Service will be in transition to a modernized field office structure. The offices at Elkins, Beckley, and Huntington will be phased down as described in the National Implementation Plan as the modernized offices at Charleston, Washington, Pittsburgh, and Roanoke assume more responsibility for areas in West Virginia.

QUESTIONS SUBMITTED BY SENATOR WARREN RUDMAN

INTERNATIONAL TRADE ADMINISTRATION

Telecommunications Trade

QUESTION:

We've seen the importance of telecommunications in the democratic breakthroughs in Eastern Europe in the past year. The speed of these changes has been directly related to the free flow of information and ideas transmitted by shortwave radio, telephone calls and television. Eastern European countries now want to develop these instruments of change not only to consolidate their political revolutions, but to rebuild their economies.

The Office of Technology Assessment has estimated that the Eastern European countries are projected to spend $3.6 billion annually for telecommunications equipment by the year 2000. In addition, the total Soviet market is estimated to be $28.6 billion.

Members of the European Economic Community can be expected to aggressively compete for this business. What plans does the Commerce Department have to ensure that American companies are not preempted from this market?

ANSWER:

The U.S. Department of Commerce (USDOC) has had the lead or has actively participated in a number of initiatives to help promote U.S. telecommunications business interests in Eastern Europe. We have been prominently involved in negotiating Business and Economic Cooperation Agreements in Eastern Europe. An agreement was recently concluded in Poland and negotiations are under way in Hungary.

We have also established an Eastern European Business Information Center in Washington to distribute a broad range of information on doing business in Eastern Europe.

The Department also has a lead role in organizing a conference called "Doing Business in Eastern Europe and the Soviet Union" to be held April 11-12, 1990.

Our Bureau of Export Administration is in the process of reviewing export control policies. The review is expected to lead to a comprehensive set of proposals aimed at easing export control restrictions particularly on telecommunications products and computers.

The International Trade Administration's Office of Telecommunications (OT) conducted a Trade and Investment Mission to Poland in February 1990. Sixteen U.S. telecom companies participated, and had the opportunity to meet many of the top decision-makers in Poland's telecom sector. OT is in the process of planning similar missions to Czechoslovakia and Hungary in June of this year, and will continue to monitor and disseminate information on major telecommunications opportunities in Eastern Europe.

OT and ITA's U.S. and Foreign Commercial Service coordinate business assistance efforts with American Embassies to aid U.S. telecommunications companies working in the region.

Finally, our National Telecommunications and Information Administration led a group of U.S. officials to Warsaw to offer technical assistance to Poland's telecommunications sector.

QUESTION:

I understand U.S. satellite companies are prohibited from competing for international telephone business as the result of a policy adopted in 1985 when the U.S. was attempting to introduce competition into the international satellite communications market. Do you think it is time to revisit this policy in view of the changes being made in Eastern Europe?

ANSWER:

In 1984 President Reagan made the determination that satellite systems separate from INTELSAT were "required in the national interest." In order to meet INTELSAT treaty obligations, however, the Secretaries of State and Commerce recommended, and the FCC imposed, that separate systems services were to be limited to intracorporate private line and video services. Provision of services involving connection to public switched networks is still prohibited. The stated purpose for this policy is the prevention of significant economic harm to INTELSAT.

Issues involving separate satellite systems are currently under examination by a number of Federal Government agencies. The U.S. is working in international fora to reach a consensus on expansion of competition in the provision of satellite communications services. The issue of competition in satellite services requires balancing our interest in expanding competition with our commitments under the INTELSAT Treaty aimed at protecting the viability of INTELSAT.

It should be noted that international satellite video communications outside of INTELSAT are already taking place between Eastern Europe and the United States through PANAMSAT.

Telephone Trade Deficit

QUESTION:

In 1988, the United States suffered a $2 billion trade deficit in international telephone calls--2% of our total trade deficit. Part of this deficit is the result of high access rates being charged by foreign telephone companies when Americans make phone calls overseas. At the same time, these foreign telephone companies often bar access to potential competitors.

For better or for worse, we've undergone telephone deregulation in this country. One result is that long distance tolls have dramatically declined. Should we be pursuing greater competition on an international scale, or at least demand reciprocal treatment so that foreign telephone companies cannot have access to the American market in the absence of access to their markets?

ANSWER:

We have aggressively pursued greater competition in international telecommunications services through bilateral and multilateral negotiations. We also believe U.S. deregulation has transformed our telecommunications industry into a dynamic engine for change and economic progress.

The payments deficit mentioned in your question refers to international telephone service, for which many foreign governments allow multiple U.S. carriers market access. In contrast, most countries do not allow foreign companies to provide telephone service within their countries; even the United States does not offer complete national treatment in the domestic market for basic telephone service. Rather than basic services, our major foreign market access concerns focus on "value-added services."

Due to the joint venture nature of international communications service, participants enter into settlement arrangements, which establish the terms and conditions for providing service, including the accounting rate. The accounting rate is the basis for dividing revenues between companies that provide service. The function of accounting rates is to compensate the owners of facilities and equipment for the costs they incur to provide international communications service.

The balance of telecommunications payments is the difference between payments that U.S. telephone carriers owe to foreign administrations for service that originates in the United States and terminates in other countries, and payments that foreign administrations owe to U.S. common carriers for service that originates in other countries and terminates in the United States.

Such imbalances exist with many countries because of higher collection rates abroad than in the United States, and because the United States receives fewer calls than it makes. The collection rate is the amount telephone subscribers actually pay for international calls. The collection rate does not depend on the accounting rate, and in many countries is higher, with the telephone carrier keeping the difference. Artificially high collection rates abroad tend to distort market forces and cause an imbalance in call volume, increasing the U.S. payments deficit for telecommunications services. In fact, it is the imbalance in collection rates that is the primary cause of the U.S. telephone payments deficit.

Competition in the United States has driven the price of international telephone rates down, greatly increasing outbound traffic and exacerbating the payments problem. If foreign countries were to introduce competition within their markets, market forces would likely lower collections rates for international calls, alleviating the imbalance in traffic.

The Commerce Department is working to encourage domestic competition within foreign countries, which would reduce the collection rate and restore balance to our international traffic payments.

Foreign Staffing

QUESTION:

The International Trade Administration is proposing to add 106 overseas positions and $7.912 million for trade promotion activities of the U.S. and Foreign Commercial Service. That would be a 15% increase in the personnel level involved in Foreign Operations.

Where would these positions be placed? Has the State Department agreed to house these additional personnel in embassies and consulates around the world? As you know, each Ambassador has the prerogative to refuse to do so if he believes additional positions are not necessary. For instance, in our Committee report for 1990, we direct that three commercial officers be assigned to the U.S. Mission to the European Community in Brussels; however, I understand that has not been done due to objections from the Ambassador. Has the State Department agreed to place the additional Foreign Commercial Service officers that you've requested?

ANSWER:

Our plans provide for major expansion in Eastern Europe, Japan, and selected other growth markets, where we believe increased officer or foreign service national staff could make a difference in the success rate of U.S. firms in those markets. The following list indicates, in order of funding magnitude, where the positions would be placed.

We have not discussed specific cases with the Department of State, with the key exceptions of offices in Berlin, Prague, and the U.S. Mission to the Economic Community (USEC) in Brussels. We have received approval to open in Berlin and Prague, and anticipate approval on USEC.

We are pacing our other proposals to ambassadors and the State Department. We have not sought a blanket approval from the State Department to house all the new positions we have requested. State will review each request on a case-by-case basis. We cannot ask for review before we have the resources to back up the request.

COUNTRY	CITY(IES)	FCSO POSITIONS	FSN POSITIONS	$K
Japan	Fukuoka, Osaka, Tokyo, Sapporo	6	10	1,840
Belgium	Brussels/USEC	2	4	750
Soviet Union	Leningrad, Moscow*	2	4	740
Germany, East	Berlin	2	4	650
UK	London	2	4	570
Germany, West	Frankfurt, Munich	1	5	460
Mexico	Mexico City	2	4	380
South Asia**	Various	0	6	360
Indonesia	Jakarta, Surabaya	1	5	335
Czechoslovakia	Prague	1	3	330
France	Paris	1	4	280
Singapore	Singapore	1	2	260
Brazil	Brasilia, Sao Paulo	0	5	250
Netherlands	The Hague	1	1	250
Korea	Seoul	1	2	240
Bulgaria	Sofia	1	2	220
Hungary	Budapest	1	3	210
Romania	Bucharest	1	3	210
Poland	Warsaw	1	3	190
Italy	Rome, Milan	0	3	165
Sweden	Stockholm	0	2	141
	subtotal	27	79	8,831
	less lapse	-7	-20	-919

	FCSO FTE	FSN FTE	$K
Total	20	59	7,912

* The FSN'S in Leningrad will be, in fact, nationals of a third country; we employ no Soviet nationals.

** These will be FSN's fluent in English and Japanese who will report on Japanese AID projects.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

QUESTION:

Last year the Congress provided $18 million for the NOAA Climate and Global Change program. This year the Administration is requesting an increase of $69 million. I understand this is a billion dollar, multi-agency effort which seeks to understand and eventually predict global climate patterns. What is NOAA's role in this effort, and how will the additional funds be used?

ANSWER:

The goal of the U.S. Global Change Research Program is:

> TO ESTABLISH THE SCIENTIFIC BASIS FOR NATIONAL AND INTERNATIONAL POLICY MAKING RELATING TO NATURAL AND HUMAN-INDUCED CHANGES IN THE GLOBAL EARTH SYSTEM.

To achieve this goal, the participating agencies have established an integrated, Government-wide effort focused on three scientific objectives.

o To establish an integrated, comprehensive long-term program of documenting the Earth system on a global scale;

o To conduct a program of focused studies to improve our understanding of the physical, geological, chemical biological and social processes that influence Earth system processes and trends on global and regional scales; and

o To develop integrated, conceptual, and predictive Earth-system models.

NOAA's Climate and Global Change Program is a vital component of the U.S. Global Change Research Program (USGCRP) and enables the Agency to bring its unique talents and special capabilities to bear on some of the highest scientific priorities identified by the Committee on Earth Sciences in the USGCRP Research Plan released in the summer of 1989. In support of the stated objectives of the USGCRP and with a special focus on providing reliable assessments and quantitative predictions of climate change and its regional implications, NOAA will pursue the following global change responsibilities:

o DOCUMENTING GLOBAL CHANGE (+38,7000,000)- NOAA's planned activities will fill significant gaps in: (i) enhancing operational ocean observations; (ii) implementing a global sea-level monitoring network; (iii) monitoring changes in significant stratospheric constituents like ozone (joint project with NASA); (iv) the development and testing of new measurement technologies; (v) the development of important climate and global change measurement products derived from operational satellite (metsats) and **in-situ** observations; (vi) climate diagnostics and analytical studies; and (vii) the establishment of an effective NOAA and national data and information management system in support of the USGCRP.

- FOCUSED PROCESS STUDIES (+18,300,000)- NOAA's research projects are aimed at some of the highest scientific priorities identified by CES and will complement those of the other participating agencies to provide significantly improved understanding of: (i) interannual climate variability through support of planned enhancements to the international Tropical Oceans-Global Atmosphere (TOGA) Program; (ii) the role of ocean circulation and dynamics in climate change, with particular emphasis on the importance of Atlantic Ocean circulation patterns on decadal climate change and the role of the ocean as a sink for atmospheric carbon dioxide; (iii) the sources, sinks, and behavior of greenhouse gases in the atmosphere through NOAA's Radiatively Important Trace Species (RITS) Program; (iv) the importance of dimethysulfide produced by marine organisms as cloud condensation nuclei; (v) clouds, water vapor, and the global hydrological cycle, including NOAA contributions to the evolving international Global Energy and Water Cycle Experiment (GEWEX); and (vi) the effect of climate and related stresses on marine ecosystems.

- CLIMATE MODELING AND PREDICTION (+12,000,000) - In response to NOAA's longstanding environmental prediction and information services mission, the FY 1991 proposal ensures significant progress toward: (i) operational ocean modeling; (ii) near-term forecasting improvements to extend operational predictive capability on monthly and seasonal timescales; and (iii) the design and implementation of an effective multi-agency approach to significantly advance climate prediction capabilities on interannual and decadal timescales.

Past climate can put such a change in perspective. During the Little Ice Age, a period of protracted global cooling, frost fairs were held on the frozen Thames River in England during winter, and settlements in Greenland were lost to advancing glaciers. Estimated global cooling during this period was only about 1.5°C. Since 1860, a global warming of only 0.5°C. has occurred. A long-term global warming of several degrees is not within recent human experience, but its potential consequences, such as sea level rise, water supply shifts or agricultural impacts, could be quite significant.

NOAA's Program will not affect climate change but rather will provide the information to make the best policy decisions on adapting or responding to climate change. It is crucial to know how big the warming will be, when it will occur, and where the regional effects will be most severe. This Program is one of NOAA's highest priorities because the effects of even a one-to-two-degree warming in the next century could be significant. The cost of developing and making available to national decisionmakers the best possible predictions is modest in comparison.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

ECONOMIC DEVELOPMENT ADMINISTRATION

Inclusion of Indian Tribes in the Planning Program

QUESTION:

Restored Oregon tribes, the Klamath and the Grand Ronde, are on record as having long standing requests for planning grants which have not been honored because of a lack of funds. Should more money be appropriated for the Indian Planning Grant Program?

ANSWER:

No, the lack of appropriated resources is not the problem. In the event Congress continues the funding of EDA, management should be allowed flexibility to administer the planning program as needs exist. Resources can be reallocated within the current program level if the Agency is allowed to develop a more fair and equitable allocation methodology for all the planning grant programs.

Arbitrary Manipulation of Individual Planning Grant Amounts

QUESTION:

Over the years, the planning grant program has provided stable, dependable grants to Economic Development Districts, as long as they were performing well. In Fiscal Year 1990, there were several proposals to base planning grant amounts on current economic distress data, apparently without regard to size or complexity of the area served, performance record or the types of services offered by the grantee. Will the planning grant program be returned to its previous policy of providing stable, predictable funding (always assuming continued satisfactory performance by grantees)?

ANSWER:

Historically, the funding levels for Economic Development Districts (EDDs) have provided sufficient funds for administrative support to establish and maintain an Overall Economic Development Program for the EDDs.

In an attempt to provide for better standardization across regional lines and to develop a more fair and equitable system for determining individual district funding levels within the program appropriations made available, EDA considered a number of variables to be utilized in the determination of funding levels, which included many variables other than just distress of the area.

These efforts of the agency to improve the allocation process this fiscal year were met with opposition, including limitations in the FY 1990 Appropriations bill which for the most part resulted from a misunderstanding of EDA's programmatic objectives.

The final determination of individual planning grant levels for FY 1990 is consistent and in accordance with the established methods and policies used in previous years. Organizations receiving funds under the planning program will continue to be evaluated on an annual basis. Grant levels will continue to be adjusted based on grantee performance, distress of the area being served, special needs of the area, and availability of program funds. Lastly, recurring, annual funding should not be viewed as a mandatory entitlement.

Excessive Legalisms with Respect to Local Share Commitments

QUESTION:

We appear to have resolved the problem with respect to using Oregon Lottery program dollars to match EDA dollars. However, EDA continues to require that local match be irrevocably committed by binding contract. EDA correspondence to Senator Hatfield stated that this policy was required by Federal contract law. Would it be helpful to include in the appropriations bill language which would allow EDA to accept certification that matching funds are committed, rather than exacting documentation of such commitment?

ANSWER:

Further expansion of already unnecessarily restrictive appropriation language would only compound problems. This "policy;" i.e., the policy that the applicant for a grant show, before approval, that the local matching share is presently committed and will be available as needed in the course of carrying out the project, derives not from Federal contract law principles but from the nature of and the limitations upon the assistance available to grantees under the EDA Act.

Under Title I of the Public Works and Economic Development Act of 1965, as amended, Federal financial assistance is provided in the form of partially or wholly paying for project costs. A "project" is a postulated, cost-estimated objective or group of objectives, usually involving construction, acquisition of machinery and equipment, and/or land acquisition and site preparation. Completing the project; i.e., building what was proposed to be built to function as it was proposed to function, costs a stated (estimated) amount of money. Except in unusual circumstances, the Act requires applicants to provide a specified percentage of the costs of any Title I project.

This Federal-local cost sharing feature of EDA's legislation dictates that to accomplish the objective(s) of the project, the grantee must rely, to a considerable degree, upon expenditure of its own funds or funds donated to it by a third party. For its part, EDA is not authorized legally to make up any shortfalls that may result from financial deficiencies in the amount of the local share. Therefore, if the project is to be completed--if Federal financial assistance is not to be wasted--the grantor must be certain that the grantee can meet the financial obligations inherent in successfully applying for an award under the EDA Act. The demonstration of local share availability is grounded on practical considerations reflecting legal requirements of the authorizing legislation--not on "excessive legalisms."

Processing Time for Projects

QUESTION:

No Oregon public works project in the last few years has been approved in any less time than 10 months after the final application was submitted. In 1985 and 1986, several projects were approved in three or four months. Applicants have complained of many requests for information/certifications not contained in the application itself, changes in rules being applied retroactively and long mysterious intervals (6-8 months) between the time the Regional Office reviews are completed and a final decision is made. It should be emphasized that this kind of complaint is relatively recent. Not long ago, EDA had a reputation for being more responsive and less bureaucratic than most Federal agencies. What are your plans to improve the current situation?

ANSWER:

The duration of public works application processing is largely a function of the complexity of the individual projects and the completeness of applications. The median processing time for FY 1989 projects was 8.8 months from receipt of a preapplication to final decision. The median time for the Headquarters portion of processing activity, including final decision, was 43 calendar days. Requirements are not applied retroactively unless required by statute; e.g. Drug Free Workplace Requirements and Lobbying Requirements. Normally, EDA will request additional or more detailed information from applicants as necessary to support application statements and conclusions that may not otherwise provide a sufficient basis for EDA technical, legal or compliance determinations. EDA does not view this effort as requesting information "not contained in the application itself." EDA makes a continuous effort, through its Regional Offices, and Economic Development Representative staff, to provide guidance and instruction to applicants regarding EDA procedures and the level of detail necessary for complete applications. Lastly, simplification of EDA's appropriation language would facilitate grant processing.

SUBCOMMITTEE RECESS

Senator HOLLINGS. This concludes our hearing this morning. The subcommittee will recess until 10 a.m. on March 20, when we will hear from the U.S. Information Agency.

Thank you.

[Whereupon, at 11:05 a.m., Thursday, March 8, the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, March 20.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1991

TUESDAY, MARCH 20, 1990

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10 a.m., in room S-146, the Capitol, Hon. Ernest F. Hollings (chairman) presiding.

Present: Senators Hollings and Rudman.

U.S. INFORMATION AGENCY

STATEMENT OF BRUCE S. GELB, DIRECTOR

ACCOMPANIED BY:

- EUGENE P. KOPP, DEPUTY DIRECTOR
- HENRY E. HOCKEIMER, ASSOCIATE DIRECTOR FOR MANAGEMENT
- CARL GERSHMAN, PRESIDENT, NATIONAL ENDOWMENT FOR DEMOCRACY
- VICTOR LI, PRESIDENT, EAST-WEST CENTER
- STANLEY M. SILVERMAN, COMPTROLLER

BUDGET REQUEST

Senator HOLLINGS. This morning, the subcommittee will review the estimates of the U.S. Information Agency. The request for 1991 totals $986,708,000. This is an increase of $59,580,000 above the amounts appropriated for 1990, when section 614 is repealed. The requests include a large increase in Voice of America's radio construction program, as well as increases for both Radio and TV Marti and the National Endowment for Democracy. The educational and cultural exchanges are held at the current amount, while the East-West Center is decreased.

The salaries and expenses appropriation is particularly noteworthy. While it would appear that the request of $643 million is an increase of about $8 million, the pluses and minuses of the base adjustments leave this account $10 million under the amount needed to maintain the 1990 program. As a result, there is a reduction of 102 positions. However, part of this difficulty is occasioned by the $7 million included in this budget for the World's Fair in Seville and the accompanying celebration at Genoa in 1992.

Appearing on behalf of the USIA is the Director, the Honorable Bruce S. Gelb. We welcome you and your associates. We would be delighted to hear from you. We have your statement. I was looking at it last night when we got into town. You can deliver it in its entirety or summarize it as you wish. We will include it, as well as Mr. Gershman's on NED, in the record in full.

[The statements follow:]

STATEMENT OF BRUCE S. GELB

I am pleased to be here today to present the appropriation request for the United States Information Agency for Fiscal Year 1991. I am accompanied by key members of our team.

The thawing of the Cold War gives new meaning and priority to the Agency's role in international affairs. While addressing the new opportunities, we have to resist the temptation to direct all our talent and energies to the epic changes in Eastern Europe. Our responsibilities are, indeed, much broader. In reality there is substantial interconnection between the events in Europe and developments in other regions. We only have to look at Nicaragua, and read about the undercurrents in Cuba to grasp the almost symbiotic ties.

The USIA's efforts are more important than ever as the world shifts from one dominated by East-West military and ideological competition to a world of varied nations more concerned with economic, cultural, environmental and other non-military issues. In this new world, the U.S. will have to work harder -- and smarter -- to maintain its leadership in the world community. Access to and intense contact with other societies and the ability to understand and interpret other cultures and other national goals will be at a premium.

The Agency's 1991 request totals $986.7 million, an increase of $59.8 million over the $926.9 million appropriation anticipated for 1990.

Of the $59.8 million increase, over 85% or $51.4 million will be used to continue construction of VOA's new facilities and to augment four of our specialized programs. (Radio Marti, TV Marti, NED and the Inspector General.)

Only $8.4 million is available to address increases in Salaries and Expenses, our principal operating account. The major changes are:

... $38.8 million increase for overseas inflation and Federal pay and benefits adjustments; offset by

... $20.6 million savings for administrative support shift back to the State Department, and

... $10.3 million in reductions in Agency programs which have not been finally determined.

One action, however, we are not going to take is the elimination of six language services of the VOA -- as had been projected. I believe that such reductions are unacceptable. We are now working on a proposal to shift funds to keep VOA's language services at their current number.

We believe we can maintain the six languages without reducing the Radio Construction account in 1991. We hope to add $5 million to VOA operations in 1991 as follows:

-- Reduce planned funding for Seville/Genoa in 1991 by $1.4 million to $5.6 million.

-- Reduce Agency produced magazines and other Programs Bureau activities by $1.1 million.

-- Amend the 1991 budget to add $2.5 million in budget authority to VOA's operating budget from the BIB construction request.

All of this is worrisome to me because it represents the continuation of a resource decline begun five years ago that threatens to turn what could and should be a period of opportunities seized into a period of opportunities lost.

But, we do what we have to do. During the period 1986 to 1991, we will have eliminated over 700 jobs; VOA broadcast hours will have been reduced by 207 hours a week, or 17 percent; and we will have eliminated approximately 440 academic exchange and international visitor grants.

The future is indeed full of promise and risk. The stakes are very high. But as one of your Senate colleagues said recently, "If the new democracies and free market economies fail, the long-term cost to America and the cause of freedom will be enormous. But if they succeed, it will mean that the United States will enjoy increased security, reduced defense budgets and armament levels and expanded markets for our exports and our ingenuity. Simply put, there is no better investment we can make in America in 1990 than finding ways to support the new democracies." Gentlemen, the USIA is such a way!

Thank you very much. Now my colleagues and I will try to answer any questions you may have.

STATEMENT OF CARL GERSHMAN

Mr. Chairman, I am pleased to take this opportunity to review with you some of the recent program highlights and future priorities of the National Endowment for Democracy (NED).

As you and the other members of this panel are well aware, the resurgence of democracy that swept the world during the last decade reached a stunning climax in 1989, a year of unparalleled consequence and promise. The last months of 1989 alone saw not only communist dictatorships overthrown in Central Europe but the holding of transitional elections in Chile, Namibia and Taiwan; the peaceful transfer of power following sharply contested elections in the two largest Third World democracies, India and Brazil; and the installation of a democratically-elected government in Panama (by U.S. troops, to be sure, but with overwhelming approval of the Panamanian people). These dramatic events were the culmination of a period of unprecedented democratic gains that began in the 1970s with the democratic transitions in Greece, Spain and Portugal, then spread across most of Central and South America and to a large part of Asia before it reached Central Europe. While the democratic movement in China was brutally suppressed, it probably did more than any other single event to signal to the world that the democratic idea is truly universal and that there are young people continents and cultures away from the historic centers of democratic life who are prepared to lay down their lives for freedom. The democratic movement in Burma (which was suppressed) demonstrated the same point.

No single factor accounts for this world-wide phenomenon. The technological and communications revolutions have made the attributes of modern democratic society accessible and discernible throughout the world, thereby introducing into non-Western societies expectations and aspirations for democracy not present before. Moreover, the decline of traditional forms of authority in modernizing societies, combined with the more recent collapse of Marxism, has left democratic consent as the only means of conferring legitimacy on governments. Developing countries are also discovering that democracy, while by no means a panacea, offers a way to limit and decentralize state power, to expose corruption, to reduce the potential for civil violence by integrating different economic and ethnic groups into the system, and to achieve economic growth. As the alternative to tyrannical force in the management of increasingly complex societies, democracy would have to be invented, if did not already exist.

This does not mean, Mr. Chairman, that we can sit back and passively watch the inexorable advancing of democracy. The countries of Central Europe face a perilous future as they try to make the transition to political and economic pluralism. The construction of stable political and social institutions after generations of totalitarian decimation of society is an awesome task. It is made even more daunting by the fact that it must be carried out while also transforming the command economy into a market system, a process that will lead to painful unemployment and social dislocation.

In addition, Latin America must attempt to consolidate political democracy after a decade of economic decline. The problems of economic debt and violence associated with drugs and terrorism threatens fragile democratic institutions. Recent events in the Philippines demonstrates that the travails of democratic consolidation are not limited to Latin America and Eastern Europe. Moreover, the process of democratic transition has only barely begun in the Soviet Union and faces extraordinary difficulties ahead; and it has been crushed, if only temporarily, in China. Elsewhere in the world, especially in Africa and in many Islamic countries, the progress toward democracy will be exceedingly difficult.

These realities reinforce Professor Leszek Kolakowski's warning, issued at the Endowment's May 1989 conference on

"The Democratic Revolution," that "freedom is always vulnerable and its cause never safe." But they should not be allowed to obscure the central reality, which is that throughout the world millions of people are striving to establish and secure democratic systems based upon peaceful political competition, the rule of law, a free market economy, and respect for basic human rights. Nor should they divert any attention from the historic opportunity which we now have to advance our democratic ideals. As we set our compass in the post-Cold War era, the effort to strengthen democratic movements and to create a stable democratic world order should assume increasing importance in the international programs and priorities of the United States. Here the National Endowment for Democracy has a decisive role to play.

Now in its seventh year of operation, the Endowment has achieved an impressive number of program successes. Many of them have taken place in Central and Eastern Europe, where, until very recently, promoting democracy meant providing support to groups and individuals struggling to maintain the democratic idea and to sustain an independent existence outside the reach of an all-encompassing state.

While the democratic revolution in Eastern Europe can undoubtedly be traced to many factors, no one can question the decisive leadership of Lech Walesa and the Solidarity movement in Poland. During the long and difficult years of underground struggle, the crucial support was provided by the AFL-CIO's Free Trade Union Institute, a contribution Walesa graciously acknowledged during his visit in November and especially in his address to the Joint Session of Congress.

Endowment funds were also used to provide simple printing presses for the underground in Poland; to help Charta 77 in Czechoslovakia monitor and publicize human rights abuses and sustain the fledgling underground publishing movement; to provide Hungarian dissidents with paper and ink to publish their journals; and to publish the Romanian journal Agora, which a leading Romanian writer described as "air for a drowning man.".

In the course of this work, the Endowment systematically built up a broad range of contacts. Many of the people who were once our "underground" collaborators are now in high government positions. In both Poland and Czechoslovakia, and probably soon in Hungary as well, people we met in clandestine circumstances are now greeting us in the halls of power.

Many of these people are now turning to the Endowment for help in this new phase of transition; the Wall has come tumbling down, but the new institutions of democratic governance and civil society have not yet been consolidated. There is still a danger of reverting to chaos and authoritarianism, especially in the countries where the harshness of the system suppressed even the smallest emergence of civil society.

The task before the reformers is immense: to create a pluralist political system with competing parties where previously there was a monolithic one-party state; to create viable institutions of local democracy, where previously there were only transmission belts for orders from above; to establish a free press, where previously there were only publicity broadsheets for the ruling elite; to create a judicial system based on the rule of law, where previously the law was an adjunct to the instructions of the Party; to create truly independent trade unions, where previously there were instruments to control every aspect of the worker's life; to establish business associations to encourage the pursuit of private enterprise, where previously there were none; to maintain all the elements of civil society, including culture, education, and independent interest groups, where previously all entities and all education were fashioned to serve the state.

Mr. Chairman, The Endowment and its affiliated core institutes -- the Free Trade Union Institute, the Center for International Private Enterprise, the National Democratic Institute for International Affairs and the National Republican Institute for International Affairs -- are acutely aware of the enormity of this task. Having played a unique role in the events that have led to this turning point, NED is poised to support the transition to democracy in the countries of Eastern Europe, as we have in other areas of the world. This is the purpose for which the Endowment was created and for which an increased funding level will provide tangible results.

The events in Eastern Europe mark a watershed in the history of modern civilization, but the democratic revolution is global, as the recent events in Nicaragua so eloquently attest.

Mr. Chairman, during the last five years, Endowment support has helped forge a centrist democratic movement within Nicaragua, providing desperately needed assistance to democratic civic groups, trade unions, independent media and others. With special funding provided last fall by the US Congress, the Endowment - particularly through the National Democratic and National Republican Institutes for International Affairs - provided Nicaraguan democrats with the opportunity they needed to pave the way for a democratic future. Endowment funded initiatives in the period leading up to the February election encouraged participation in the electoral process through nonpartisan civic education and training activities, provided infrastructure support for political party development, supported voter registration verification efforts and other election monitoring activities designed to instill confidence in the democratic process, and strengthened the long-term development of democratic institutions.

Mr. Chairman, we were delighted to play a role in working with the forces of democracy in that embattled country. Nevertheless, as in the case of Eastern Europe, much remains to be done in a country just emerging from so many years of chaos and oppression.

Nicaragua, of course, is not the only Latin American country where history was made during the past month. On March 11, Chile formally returned to civilian democratic rule for the first time in 17 years. The Endowment played a key role in the 1988 plebiscite which laid the groundwork for last December's election. Similarly, in Paraguay's first free and fair election in nearly 40 years, NED supported civic education and other programs designed to increase fairness and enhance voter participation.

Mr. Chairman, democracy is truly on the advance in Latin America. It is extraordinary to realize that a mere decade ago, the region was dominated by authoritarian military governments which claimed to be the best guarantors of peace, stability and prosperity. Now, in virtually the entire hemisphere, such regimes have given way to democratically elected civilian governments. Nevertheless, in Argentina, Brazil, Peru, and elsewhere, the problems of debt, poverty and violence threaten to reverse some of the historic gains of the past decade. Panama, where the government is well on its way to achieving democratic legitimacy, will clearly require NED's attention in helping to restore democratic institutions.

Two countries in the region which remain high on the list of Endowment priorities are Cuba and Haiti. In Cuba, the last totalitarian holdout, NED has funded international efforts to bring the abuses of the Castro regime to the attention of the world and provided human rights materials to groups inside the country. The Endowment hopes to expand its programs in Cuba as the Communist regime there enters a period of deepening crisis and expanding democratic opposition. In Haiti, where clearly expressed popular aspirations for democracy remain unfulfilled, NED-funded programs are bringing together leading representatives of the diverse democratic sectors to address issues fundamental to the future of Haitian democracy.

Democracy has also made significant advances in Asia, exemplified most dramatically by the transitions to democracy in recent years in the Philippines, Korea and Pakistan. On the other hand, the process of reform in China suffered a dramatic setback with the crushing of the pro-democracy movement last June. Mr. Chairman, the events leading up to this tragic defeat demonstrated the depth of the desire for democratic freedoms on the part of the Chinese people. One of NED's first grants was made in 1984 to The Chinese Intellectual, which became an influential pro-reform journal prior to the Tiananmen Square massacre, and was associated with the Club for the Reform and Opening of China which brought together the intellectual and political leadership of the Chinese democratic movement. The Endowment continues to assist the journal, now published in the U.S. It is also helping the Chinese democratic movement, exiled in the West, to develop effective strategies to prepare itself for the time when a new democratic opening is possible once again.

The Philippine government has made progress toward consolidating a stable, pluralist democracy, but it continues to face serious difficulties in achieving broadly based economic growth and combating the challenges posed both by the Communist guerilla insurgency and by dissident elements within the military. A key priority for the Endowment is to encourage the process of democratic consolidation through assistance to democratic unions, business associations, legislators, women's organizations and other groups in the Philippines.

Pakistan continues to be a primary focus of Endowment attention in South Asia and the Near East, with programs continuing in cooperation with democratic unions, business associations, journalists and political parties. In Afghanistan, the Endowment has worked with organizations of intellectuals, journalists, lawyers and women who can play a vital role in the eventual political reconstruction of their devastated country.

Mr. Chairman, one area of the world where democracy remains weak is Africa, but recent events there offer cause for hope. Across the continent, there is a trend towards more liberal economic policies and greater concern for human rights. Having elected a democratic government last November, Namibia will officially become an independent nation tonight at midnight. Namibia's electoral process was aided substantially by the National Democratic Institute, which worked with the Namibia Peace Plan and Contact Group to conduct mass voter education programs prior to these elections and established an independent election monitoring system.

Endowment programs in Africa continue to stress the development of free trade unions, business associations, independent press organizations, human rights groups, democratic policy and research centers, and independent women's civic organizations as a basis for eventual development of democratic political institutions. Programs funded by the Free Trade Union Institute have supported regional efforts to develop solutions to the serious political and economic problems facing workers on the continent.

Although repression and polarization continue in South Africa, the potential for peaceful negotiation and the establishment of a genuinely democratic non-racial society is greater today than at any other time in the country's history. South Africa remains the country of greatest priority for the Endowment in Africa. NED's programs in this country have been designed to strengthen grassroots community organizations, promote dialogue and an understanding of democracy and contribute to an open and democratic exchange of views and information.

Mr. Chairman, I'm sure you will agree that during its brief existence, the Endowment has developed an effective program in every corner of the globe. In a brief statement such as this one, it would be impossible to list all of NED's programmatic accomplishments, but a few merit special mention:

-- The Endowment has provided communications technology and know-how to the emerging independent publishing and press groups in the Soviet Union. This support, provided through recent emigres who have been active in democratic movements in Soviet Russia and in many of the non-Russian Republics, has been supplemented by assistance to Russian-language journals in the West that have significant circulation in the USSR, and by efforts to overcome continuing obstacles to postal communications, family visits and other forms of human contact between the Soviet Union and the West.

-- NED's affiliated party institutes, working jointly in some cases, have sent observer missions to monitor recent elections in numerous countries, among them Nicaragua, Taiwan, Pakistan, Panama and Namibia, and are gearing up for the upcoming historic balloting in the newly freed nations of Central Europe.

-- Through the Center for International Private Enterprise (CIPE) the Endowment has supported the path-breaking work in Peru of Hernando de Soto, whose analysis of how the vast informal sector emerged to escape stultifying government regulations has opened up new possibilities for economic and political change in the developing world. De Soto offers a hopeful free market alternative to both the status quo of statist mercantilism, which protects the established economic groups and excludes the poor, and radical movements which seek to use the poor as an agent of revolution toward an even more centralized and overbearing state. The Center has begun to apply de Soto's analysis and policy recommendations in its work in other parts of the world.

-- Endowment support has also encouraged emerging women's democratic civic movements in Argentina, Paraguay, Uruguay, Brazil, Peru, Ecuador, Colombia, Nicaragua and the Philippines. These movements may soon spread through Asia as a result of the much heralded work of the Filipino group known as the Women's Movement for the Nurturance of Democracy (KABATID).

-- The Endowment has provided indispensable support to a number of valiant newspapers and radio stations which have upheld the principles of free expression and freedom of the press in the face of harsh repression and harassment. These have included La Prensa in Nicaragua, Radio Nanduti in Paraguay, Stabroek News in Guyana, The Financial Times in Uganda, The Sudan Times, and countless independent journals in the Soviet bloc.

Increasingly, however, the Endowment's budgetary constraints are stifling new initiatives, forcing a concentration on immediate crisis situations to the detriment of long-term political development, and causing severe cutbacks in already reduced programs.

The Endowment's FY 1984 appropriation was $18 million, less than 60 percent of the authorized level ($31.3 million) for the partial first year. This level became a ceiling despite the fact that program capacity has grown significantly over six years and the available funding cannot begin to address the accelerating number of deserving requests for support received from countries around the world. This does not even take into account how inflation has also adversely affected the real spending abilities of the Endowment and its grantees.

The number of grants awarded by the Endowment increased dramatically from 75 in 1984 to over 200 in 1989. As a result, the average size of Endowment grants has decreased significantly, and many projects are being funded at levels far below their needs.

In short, the Endowment is making more grants and spreading less money over a broader surface. This has also hindered its ability to support new initiatives. Many potentially useful Endowment programs never even reach the proposal stage because the lack of funds discourages program development.

Central and Eastern Europe, of course, are the areas of the most urgent need. But without additional funding, the Endowment is not in a position to meet their needs or those of democrats in many other regions of the world. Programs in Brazil and Mexico, two countries of great importance in Latin America, have been kept to a minimum due to budget constraints. Clearly, there are important opportunities which can be taken now in Africa and the Islamic world to cultivate emerging democratic forces. To expand programs in these regions, however, the Endowment will have to undertake a major program development effort for which additional funds are essential.

At its current funding level, the Endowment is unable to meet many urgent needs of its core grantees. For example, as independent trade unions emerge, in the face of official opposition, in the Soviet Union, they are in desperate need of basic infrastructure support, particularly communications equipment and supplies to enable them to organize, form coalitions and communicate with one another. Furthermore, as funds are being transferred by the Free Trade Union Institute (FTUI) to former Soviet bloc countries to support emerging unions, resources available for its programs in other parts of the world are diminishing. Additional funding would be used by FTUI to support various organizations in Africa, Asia and Latin America, among them:

- -- Trade Union Federations in Tanzania, Mozambique, and Namibia, which need assistance for infrastructure and education as those countries make the transition to democracy;

- -- Exiled Chinese workers, seeking to establish offices in the West which can maintain contacts inside the country;

- -- The Free Trade Union movement in the Philippines, struggling to keep the Communist-controlled labor front from threatening the democratic gains of recent years; and

- -- Unionists in Latin America's democracies, reaching out to those in countries (such as Nicaragua) struggling to make the transition to democracy.

With additional funding, the Center for International Private Enterprise (CIPE) could take advantage of the unprecedented climate of interest in market-oriented economies and private sector initiatives, especially in the developing world. Among those projects for which support is urgently needed are:

- -- Education in free enterprise and entrepreneurship and its relationship to democracy in countries such as Poland, Hungary, Turkey, Indonesia, Sri Lanka and Pakistan;

- -- Expert advice to legislators throughout the world analyzing economic policies;

-- Technical assistance to countries making the transition from command to free market economies; and

-- Establishment of independent voluntary business organizations around which to rally the forces of free enterprise.

NED's affiliated party institutes have been deeply involved in helping to build party and related institutions and in training future party leaders in emerging democracies around the world. But with limited resources, they have been forced to focus their attention upon the immediate needs of countries on the verge of making a democratic transition. As a result, they have been far less involved in helping to bolster institutions in countries where the democratic process needs to be consolidated.

With additional funding, the National Democratic Institute (NDI) could develop much-needed additional programs in countries such as the Philippines, Argentina and Uruguay, where the democratic gains of recent years need to be strengthened and institutionalized. The National Republican Institute for International Affairs (NRIIA) would become more involved in Africa and in Southeast Asia, particularly Thailand and Cambodia.

In many other countries, additional funding is essential to meet the needs of emerging democratic forces. Some of these include:

-- Cuba, where a range of groups pressing for greater freedoms have been emerging at great personal risk to their members and where additional support is needed to strengthen their work inside the country;

-- Cambodia, where a new human rights project which involves training activists within the country to monitor abuses could benefit greatly from additional resources;

-- Haiti, where an important program had to undergo a severe cut in NED funding in order to be able to support a broad array of groups;

-- Guyana, where NED has been able to provide but a tiny portion of what was requested by the country's sole independent newspaper;

-- Liberia, Senegal, Uganda and other African countries where unrelated human rights, community and policy groups require additional support to enable them to work together to reinforce each other's program; and

-- China, where the Endowment has been able to provide but a small level of support to reformers and elements of the pro-democracy movement in the West seeking to develop democratic ideas and structures.

Thus, Mr. Chairman, we ask that this committee look favorably upon our request for additional funding. We are keenly aware of the extraordinarily difficult task faced by this committee in establishing priorities during a period of fiscal austerity.

As political competition becomes an increasingly salient feature of international relations in an age of receding Cold War tensions, the Endowment offers a politically attractive way to advance U.S. interests and values. In a period of tight budgets, it is also exceedingly cost-effective. The funds needed to allow this vital initiative to fulfill its potential are meager compared to the enormous scope and importance of the issues and the stakes involved. (In this connection it is important to take note of the fact that the West German party foundations together spend more than eight times as much as the NED for democracy abroad.) Funds for NED represent a prudent investment in a safer and more democratic world.

The Endowment is attuned to this new era. After six years of effective performance, it enjoys broad bipartisan support in Congress. Its work not only advances democracy in the world, but also puts the United States publicly and effectively on the side of those struggling to advance democratic goals.

Mr. Chairman, the Endowment has been through its period of testing and has proven its worth. Commentators who have followed the Endowment's programs closely have recommended substantial increases in its funding levels. With additional resources, the National Endowment for Democracy can become the truly global force for freedom that its founders envisioned.

SUMMARY STATEMENT

Mr. **Gelb**. Thank you, Mr. Chairman. We are delighted to be here, and I think one of the things we wanted to do, if we possibly can, especially with some of your opening remarks, is to make sure that we don't take your time on material that you already have. I am going to dispense with the reading of the full remarks, and I have a condensed version which, very frankly, I am also going to dispense with except for one paragraph at the very end.

Let's use that as a way to get into the meat of this meeting. Before I do, I would like to introduce the people who are with me today who are really a part and parcel of what we are doing at USIA. If I don't have the answers to some of the questions, I am sure that they are going to be able to jump right in and participate.

First and foremost is Gene Kopp, my Deputy Director, who is sitting right over here. I think you all know Stan Silverman very well; Dick Carlson, the Associate Director for the Voice of America; Carl Gershman of the National Endowment. We have Victor Li of the East-West Center; Henry Hockeimer, our Associate Director for Management; Bill Glade, who is our Associate Director for Educational and Cultural Affairs; Mike Schneider, who is Acting Associate Director for our Programs Bureau; and the Counselor of the Agency, Mike Pistor. We also have Frank Johnson, my Public Liaison Director, and last, but not least is Martha Johnston, our Congressional Relations Director.

The comment that I am going to use to sum up my opening statement is the last paragraph of my condensed statement and it is very simply this: The future is, indeed, full of promise and risk. The stakes for this country, for the world, are higher in a positive sense, probably, than they have been since World War II.

But as one of your own Senate colleagues said recently, "If the new democracies and free market economies fail, the long-term costs to America and the cost of freedom will be enormous." If they succeed, it will mean that the United States will enjoy increased security, reduced defense budgets and armament levels and expanded markets for our exports and our ingenuity. Simply put, there is no better investment we can make in America in 1990 than finding ways to support the new democracies.

Gentlemen, I believe the USIA is such a way. So with that as my opening statement, we are ready for questions.

DEVELOPMENTS IN SOVIET UNION AND EASTERN EUROPE

Senator **Hollings**. Let me tell you where I am coming from, Mr. Director. You and the USIA have been very, very important and a significant part of the fall of the wall and the spread of democracy and capitalism in Eastern Europe. We have heard from your colleague already, Steve Forbes at the Board for International Broadcasting.

We were impressed by what Vaclav Havel had to say about Radio Free Europe and also Lech Walesa who said, when asked about it, "What is a world without a Sun?"

So, we want to keep that momentum going. The Voice of America is still very much needed in Hungary. In Budapest, they still have control of the only newspaper there and just about everything else in Hungary, so they are still getting their information for the free elections from the Voice of America.

In a similar situation, the National Endowment for Democracy, which Mr. Gershman heads up—and I have had a very dim view of it because I saw it organized into Republicans and Democrats and fine people, good friends of mine, traveling to eat and meet and keeping on eating. [Laughter.]

It had nothing to do. They had make-work and everything else. Now they have got a real role to fill. Mr. Gershman has sent printing presses to the Czechs so that they can have free elections. They are trying to finance expertise in these countries and what-have-you, so where the Helsinki Conference wasn't working, the National Endowment hardly had a purpose.

They have all become front and center in my opinion, and they need increases. I still have got a very dim view of the running around about fairs right now in this time of competition. I know how the tail wags the dog and how business leaders are all getting their displays, but you and I have to pick up the bill for everybody to go have a party like the air show in Paris. Have you ever been to one of those?

Mr. **Gelb**. I have never been to one, but some day.

Senator **Rudman**. Just don't.

Senator **Hollings**. So now we will have an air show in Seville without the air show; we will just have a show.

I think about tight budgets and allocating moneys and priorities where they talk about peace dividends and cutting back and rightfully so, with respect to our defense. Here we are just talking in terms of minor millions which will have a significant impact. How would you increase the USIA budget intelligently in order to move into this gap? How would you increase the National Endowment for Democracy? I will ask Carl about that, but how would you get these programs going? Bluntly, what did OMB cut out?

OMB REDUCTIONS

Mr. **Gelb**. If you look at the comparison of what we went to OMB with in our original budget presentation and where we are now, we are down from somewhere in the neighborhood of $1,070,000,000 to about $986 million. The cuts of $84 million that were made, strangely enough, didn't include the National Endowment for Democracy or a number of other line items.

Senator **Hollings**. On NED did you get an increase?

Mr. **Gelb**. We had an increase from $16 million to $25 million, I believe.

Senator **Hollings**. I see. Please supply for the record a comparison of USIA's request to OMB and what OMB allowed.

[The information follows:]

COMPARISON OF OMB AND CONGRESSIONAL REQUESTS FOR 1991

[Funds in thousands]

	Request to OMB		Congressional estimate		Difference	
	FTE	Funds	FTE	Funds	FTE	Funds
Salaries and expenses	8,466	$691,448	8,328	$638,670	-138	-$52,778
Educational and cultural exchange programs		166,029		154,330		-11,699
Radio broadcasting to Cuba	170	14,954	170	14,954		
Office of the Inspector General	52	4,040	52	4,040		
East-West Center Program		23,500		20,000		-3,500
National Endowment for Democracy Program		25,000		25,000		
Radio construction	147	140,815	147	124,557		-16,258
Subtotal, original request	8,835	1,065,786	8,697	981,551	-138	-84,235
1991 pay raise costs identified separately for OMB [1]		10,314		5,157		-5,157
Total	8,835	1,076,100	8,697	986,708	-138	-89 392

[1] Pay costs are distributed by account as follows: S&E, $9,718,000; Radio Construction (TV Marti), $200,000; Radio Marti, $230,000; and Inspector General, $166,000

The Salaries and Expenses reduction of $52.8 million, included:

—Reduced the 1991 base by $18.9 million to reflect the anticipated 1990 Congressional appropriations postsequester level of $635.1 million, compared to our 1990 appropriation assumption of $654 million in the OMB submission;

—Returned the additional administrative support payments added to our budget in 1990 to the Department of State in 1991, for a decrease of about $26 million;

—Disallowed certain program enhancements and some built-in requirements totaling $2.5 million, and required the reallocation of $5.4 million to absorb other costs; and

—In accordance with government-wide policy, required 50 percent absorption of the 1991 Federal pay raise costs, totaling $9.7 million, which were separately identified by the Agency for OMB. This will require further reallocations of $4.8 million.

The Radio Construction reduction of $16.3 million disallowed $11.8 million for an antennae contract that will likely slip to 1992 and $4.5 million for other lower priority system improvements.

The Exchange Programs reduction of $11.7 million straight-lined the corrected 1990 Congressional level, which will force a reallocation of program priorities.

The East-West Center reduction of $3.5 million maintained the USIA grant for this private non-profit organization to the level of the past few years.

The Radio Broadcasting to Cuba and Office of the Inspector General Accounts were fully funded at the USIA request level, plus the allowance for one-half of the 1991 pay costs.

The $25 million request for National Endowment for Democracy programs was not reduced by OMB.

MARSHALL PLAN OF IDEAS

Mr. GELB. Everything ~~is~~ relative. Some people may feel that is a small increase at a time where democracy is breaking out like June in song. You might say that that is not much of an increase. Everything, again, is relative. Relative to what has happened to the rest of our budget, where we are now, that is the kind of increase percentagewise that I would love to see in this Agency of ours.

You asked where, specifically, extra money should be used to make this the beginning of a period for the USIA where we can start to do more of the kinds of things that, in a very real sense, we have been doing for years.

I will start off by mentioning the fact that we have put in a proposal for what we call the Marshall Plan of Ideas. It is a 4-year program, and it reflects our desire to make sure that the doors that have opened to democracy all over Eastern Europe—and hopefully, in the Soviet Union, hopefully in the Soviet Union—don't close just because we did not provide the extra kind of information, education, training, and mentoring that can be done and which we are doing.

Under the program which we call democracy building in Eastern Europe, we have made a start, Mr. Chairman, but a modest start.

The President announced in July of last year a $6.1 million program for Poland and Hungary, democracy building built on four plastic pillars. The pillars, if you want to keep them simply in mind, are: the Alexander Hamilton programs, including all of the things that have to do with business, entrepreneurship, management training, and the structure from which a free economy will come. Next the Samuel Gompers Program, which has to do with taking people who have lived for 50–60 years under a form of slave labor, if you will: one employer; no free unions; no freedom to complain about working conditions or anything else.

This Samuel Gompers Program, working closely with the AFL–CIO—Lane Kirkland, as you know, being very active with Solidarity—is an attempt to bring independent workers to this country. It lets our people from the unions in this country who are free and democratic have a chance to teach workers what collective action means when you are dealing with a government. We think that free trade unionism in this part of the world may turn out to be one of the great safeguards for freedom.

The third leg of this chair has to do with what we call the Noah Webster programs. It includes everything that you read about when you hear about the global village and the fact that the world has been shrinking through communications. We want to teach people in these countries what it means to have a free press. How do you start a newspaper, a radio? How do you run a television station? Technologically, from a programs standpoint; the people, the training, all of the material to make what we think may be as important as any safeguard for freedom, a free press. How do you make it a reality and teach these people how to do it? They are dying for it; they are asking for it.

And the fourth leg, and I can't say that one is any more important than the other, we put under the rubric of the John Marshall programs, all of which have to do with the rule of law. How do you establish understanding of the rule of law? How do you create an understanding of what local politics is? How do you teach the legislature and how it works? How do you talk about a separate judiciary so they understand that it is the separation of powers which really guarantees freedom and opportunity for countries?

That is where we think more money should be spent. Our Marshall Plan of Ideas Program, which has been submitted to OMB, State, and others which hopefully will become a part of any program that is clearly outlined either by Congress or by the administration. It has as its first year price tag not what you might think. It is a $41 million increase for those programs.

We think it makes sense. We think it is probably the best investment this country can make in return on the dollar invested.

Senator HOLLINGS. The overall amount is $41 million.

Mr. GELB. Forty-one million for the Eastern Europe Marshall Plan of Ideas Program, yes.

Senator HOLLINGS. There will be made part of the record a paper entitled, "Beyond Containment: 'A Marshall Plan of Ideas' for Eastern Europe.' "

[The information follows:]

BEYOND CONTAINMENT: A "MARSHALL PLAN OF IDEAS" FOR EASTERN EUROPE—TO ENSURE THE FUTURE OF PEACE WITH FREEDOM

Only rarely do we stand at the beginning of an entirely new era in human history. The Allied victory in World War II and the bipolar system that emerged was one such moment. We are now at the doorstep of another historical passage.

The communist world is staggering from the shock of revolutionary change. This historical watershed reflects the relentless power of ideas amplified in a modern communications environment. U.S. cultural and information programs over the past quarter century were a major force in energizing the impulses of freedom; such activities today are an equally critical instrument in moving beyond containment to consolidate economic reform, democratic change, and East/West reconciliation, i.e., peace with freedom.

We should now invest in completing the democratization of Eastern Europe. In the 1940's the United States presided over the economic renaissance of Western Europe. In the 1990's we have the opportunity to join with the U.S. private sector in launching free, democratic institutions in the declining communist empire. A "Marshall Plan of Ideas"—a carefully invested U.S. government commitment—can mirror the approach of the 1940's economic version: tapping the American private sector and awakening recipient institutions and participation to build the architecture of democracy.

We propose adding to our budget $150 million in total over four years to strengthen democratic institutions and to cement America's intellectual, professional, cultural ties with the U.S.S.R. and Eastern Europe.[1] This commitment will stimulate the U.S. private sector at least to match the government contribution in a crash program that in four years will infuse the ideas, contacts, and values absolutely indispensable to the success of Eastern Europe's democratic surge. America's commitment after World War II changed the course of European history with vital support for the political and economic revival for part of a war-ravaged continent. We have arrived today at another crossroads of history where the U.S. can similarly make a difference in an equally volatile, uncertain climate.

Our program will concentrate in the following areas which directly relate to the democratization process: the institutions of a political system governed by law and popular consent; the effectiveness of a market economy that allows maximum opportunity for the free movement of trade, labor, and investment to ensure a nation's material needs and well-being; the indispensable role of a professional, independent mass media in preserving human freedom and democracy; the vitality of a free society which respects political, economic, artistic, and religious freedom of expression; the expansion of scholarly, professional, and people-to-people ties with the West, particularly through educational exchange and study of the English language.

In all of the communist countries now opening to expanded contracts with the West, a "Marshall Plan of Ideas" will launch across-the-board programs in concert with U.S. private sector institutions to support the critical process of democratic and political reform. Economic and financial assistance will have little enduring value without bringing a new vitality and content to Eastern Europe's institutions and ties with the West. The U.S. government's extra $150 million commitment would feature these principal elements:

1. Expanded programs to introduce Soviet and Eastern European opinion leaders directly to the American democratic system and create a network of personal ties to the United States. ($19.1 million)

2. Significant increases in a wide range of scholarly, student, and youth exchanges, reinforced with educational programming via radio and television, to

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[1] See Exhibit I for how these funds would be used by year 1991-1994 as well as by country and function.

create the intellectual foundation for the consolidation of Western-oriented democracy in this region. ($66 million)

3. Establishment of new cultural centers in Warsaw, Moscow, Leningrad, Bratislava, Prague, and Sofia as well as major expansion of existing USIS library, seminar/workshop and English teaching programs. State-of-the-art cultural centers in Warsaw, Moscow, Leningrad, and Prague will be permanent showcases of American ideas and values in these societies. Smaller centers (usually co-located with a State Department Consulate) are planned in Budapest, Sofia, Bratislava, Kiev, and Leipzig. ($24 million)

4. Cooperation with the U.S. private sector to initiate new programs centered on strengthening the free institutions of business management, journalism, radio and TV broadcasting, law, and democratic politics. Government-funded programs will decline with the expected rise in private-sector participation and the establishment of direct U.S. linkages with Eastern European societies. ($32 million)

5. Required overseas and Washington support staff to implement the new expansion in U.S. programs with the U.S.S.R. and Eastern Europe. ($9 million)

In the months since the President signed the SEED (Support for East European Democracy) Act, the astonishing changes in Eastern and Central Europe and the Soviet Union have accelerated. Now, contending versions of SEED II are taking shape, one in the Administration and at least one other on Capitol Hill. The plan I have outlined, fashioned from proven USIA methods of advancing the democratic idea, can be readily adapted to the shape such legislation—sure to come—will take.

The over-riding point is: this is a challenge ready-made for USIA. Given the resources, I believe we can make a signal contribution toward the goal of peace with freedom.

EXHIBIT I.—BEYOND CONTAINMENT: A "MARSHALL PLAN OF IDEAS" FOR EASTERN EUROPE

[In millions of dollars]

	1991	1992	1993	1994	Total
Countries:					
Poland	7.3	6.7	6.3	6.2	26.5
Hungary	4.1	3.9	3.7	3.3	15.0
Czechoslovakia	4.2	3.6	3.3	3.2	14.3
Bulgaria	2.0	2.2	2.0	1.8	8.0
Romania	3.2	3.2	3.1	3.0	12.5
East Germany	2.8	2.3	2.1	1.9	9.1
U.S.S.R	16.2	15.1	12.4	11.9	55.6
Support	1.2	2.0	2.6	3.2	9.0
Total	41.0	39.0	35.5	34.5	150.0
Functions:					
Leader programs	4.4	4.6	4.9	5.1	19.0
Exchanges and broadcasts	15.4	16.1	17.0	17.5	66.0
Centers, libraries	8.0	7.2	4.4	4.4	24.0
Other programs	12.0	9.1	6.6	4.3	32.0
Support	1.2	2.0	2.6	3.2	9.0
Total	41.0	39.0	35.5	34.5	150.0

NATIONAL ENDOWMENT FOR DEMOCRACY BUDGET INCREASE

Senator HOLLINGS. Mr. Gershman, what about the National Endowment? How do you factor into that $41 million?

Mr. GERSHMAN. Numerically, I think we factor in with an increase to $25 million from our——

Senator HOLLINGS. From $16 to $25 million?

Mr. GERSHMAN. The approved level was $17 million for 1990, fiscal 1990.

Senator Hollings. And you think you can do it all with that $8 million increase?

Mr. Gershman. Well, I think this would be a tremendous step forward for us. Since we were founded in 1984, we have actually had our budget shrink while the demand upon the endowment was growing during all these years. The number of programs actually tripled from 1984 to 1989 while the budget shrank in absolute dollars by about 15 or 20 percent, but in real dollars, probably closer to 50 percent.

So we were being stretched very, very thin. This will give us some breathing room, I think.

Senator Hollings. Very good.

Let me yield to Senator Rudman.

SEVILLE FAIR

Senator Rudman. Thank you, Mr. Chairman. I have about two or three subjects I would like to talk about. I expect they are the same subjects that the chairman would probably be referring to, also.

The first thing I want to talk to is the chairman's favorite subject, the Seville Fair. You have a reprogramming request before the committees for $2.9 million for our participation and an additional $7 million requested for fiscal year 1991 for Seville with the remaining $4.6 million in 1992.

I know there are very few nations not participating, and I think that generally speaking, people think properly done, it is a positive involvement for the United States—with the caveats of the chairman in mind.

But there is a lot of concern that VOA and other USIA programs should not suffer as a result of this decision. I want to know what assurances you can give the committee that that won't occur. We understand the Agency could face furloughs of up to a week in order to get to the 1990 funding levels. We want to know if that is true.

I guess what we are saying is that it is not that anyone is particularly against Seville, per se; it is just with the various problems that you have, if you are coming to us for a reprogramming of $2.9 million, and then another $7 million in 1991 and another $4.6 million in 1992, then we want assurances that that is not going to detract from other things which we think are very, very important, and you are going to have to give us those assurances.

I understand that this is becoming kind of a tennis match with the ball bouncing back and forth between our counterpart subcommittee over on the House side. The question is, "Who killed Cock Robin?"

Let's get it out in the open here. I think we can probably find a way to work our way through this. I expect the chairman might come back from his previously held position. I don't know that, but I think he might. [Laughter.]

But you would have to be very, very sure that you could give us those assurances, because without those assurances, I can tell you, that is going to be a hard reprogramming to get.

So could we talk about that for a moment?

VOICE OF AMERICA

Mr. Gelb. Fine. I would like to start off by reviewing just for a minute how I personally feel about the Voice of America, because I think it bears directly on your question. I mention that because a few months ago there was a lot of controversy that was reported in the press, controversy, strangely enough, between my partner here, Dick Carlson, and myself, and it gave the impression that somehow or other, somebody wanted to eliminate radio language services and somebody else didn't. No. 1: There is nobody at VOA, Mr. Carlson or myself, who has anything except absolute commitment to keeping those radio languages on the air. We believe that part and parcel of what has worked in the United States, what has worked with our foreign policy, what has worked with our public diplomacy has been the ability for us to make sure that the majority of the world heard the truth about what was going on in the world, not only in English but in 42 other languages; and at the same time had an opportunity to hear without any kind of special massaging, any kind of translation, any kind of bias, exactly, in their own language, what the policies of the United States were on virtually every issue that was important to people in foreign lands.

So there is no difference of opinion there. No. 2, I can say that I have taken the extra time to understand how absolutely crucial the maintenance of the construction budget for the Voice of America is. What is the good of having the languages if the day after tomorrow, that rusty piece of transmitter falls down in one of the countries that makes it possible or the antenna no longer has the power to deliver what it has been doing?

I have to tell you what I learned in a 2-hour session about 3 weeks ago from our engineers—and we are very blessed with one of the outstanding engineers working in private business or anywhere else, a man by the name of Walter LaFleur. He made it very clear to me that when you work with equipment that ranges from 25 to 40 years old, every day is a risk. We take risks. We don't, in our overseas sites, provide sufficient backup for the infrastructure. We have sites that have problems; we have locations with bad roads, et cetera, but the VOA has a construction budget designed to keep that machinery going at a minimum level.

Now, to answer specifically, we have looked within our budget, and we no longer are asking for construction money to maintain the Voice. We are digging deep within ourselves; within our "Salaries and expenses" account. The first thing I did at our Agency was to find out where the redundancies in programs were, where the things are that were old, out of date, or that didn't work. I have to tell you, Mr. Chairman, I didn't find any, and I traveled a large part of the world looking for them.

Redundancy is not in our libraries; it is not in our people out in the field; it is not in the visitors that we bring back here to give an opportunity to find out about our country; it is in none of the Fulbright programs or the Humphrey program or our CAMPUS program; it is not in the wonderful opportunities we have to show what we have in exhibits around the world. We don't have redundancies.

So it is, unfortunately, a question of which is less important, not what is important and what is not, and we have looked at our programs. We are not going to cut our construction; we are going to keep the languages operating.

Senator HOLLINGS. Can you yield just a moment?

Senator RUDMAN. Sure.

SEVILLE REPROGRAMMING PROPOSAL

Senator HOLLINGS. You are asking for reprogramming to get money for salaries and expenses. You are proposing to use money that spends out at a 16-percent rate in construction compared to 87 percent in the "Salaries and expenses" account. In order to get to $1.4 million in salaries and expenses for reprogramming, you have to cut that "Construction" account by $7.4 million.

Mr. GELB. Mr. Chairman.

Senator HOLLINGS. Yes.

Mr. GELB. Let me say, I have become a minor expert on the difference between fast money and slow money the short time that I have been involved in this.

Senator HOLLINGS. We have, too.

Mr. GELB. What I have been told is that for the small amount which is the reprogramming amount, they have identified parts—and you can correct me on this, Stan—parts of that construction budget which, in effect, are relatively fast pay.

Senator RUDMAN. I understand you made a request to OMB for a transfer of funds from that "Radio construction" account to the "Salaries and expenses" account. What is the status of the request? Mr. Silverman could answer. What is the status of the request?

Mr. SILVERMAN. Senator Rudman, between the time we sent you the reprogramming letter and appearing today, as the Director has indicated, we have changed our view of what we are going to do in 1991, which was alluded to in the reprogramming letter.

For 1990, there is still an issue of reprogramming with OMB, and they are still worrying about ratios and fast pay/slow pay. The Voice of America did identify one project already on the books that could be delayed which would have paid out quickly. Now, whether that account or——

Senator RUDMAN. Which project was that?

Mr. SILVERMAN. It was the installation of the satellite interconnect system in the relay stations that are now under construction, such as Morocco; that could be delayed. We are reviewing all of that to see if there is some other way to do it. There may be other economies within the "Radio construction" account in fiscal 1990 that would produce savings without any delay in part of the project.

So we are still talking to OMB about the possibility of submitting to you language such as was provided to the State Department in fiscal 1990, transfer of up to $2 or $3 million. In the case of the State Department, it is from the "Foreign buildings operations" account.

If we can work it out, it would be a permissive transfer, and we would inform you, of course, up to $3 million or so if savings develop, and we wouldn't try to take anything out of a project itself.

[Clerk's Note.—The reprogramming proposal is printed on page 465.]

ADDITIONAL AUTHORIZATION

Senator Rudman. Incidentally, the request of $7 million for participation in the fair in 1991 is not authorized. Have you requested the Foreign Relations Committee to authorize this funding?

Mr. Silverman. We are going to send that up. We are working with OMB to make three changes in the authorization bill for 1991. One is to increase the amount for TV Marti, for Radio Marti, both of which, in authorization terms, are under the budget request.

Senator Rudman. All right.

Mr. Silverman. And to move the authorization for Seville. In 1990, we can't allocate as much money as they authorized, and we will adjust that into a 1991 authorization.

Senator Rudman. Let me ask you this question: If the funds are not authorized, are you going to support a waiver of the requirement that appropriated funds must be authorized before they can be obligated? Mr. Gelb.

Mr. Gelb. That is a technical question which I am going to have to refer to Stan on.

Mr. Silverman. Certainly, in this case, yes, sir.

Senator Rudman. Because we have been through a bit of that. [Laughter.]

I thought I would throw it over to the chairman.

Senator Hollings. That is a very strong answer. Will they really, at OMB, support it? That is the whole thing. They told us before and left us out there hanging.

Senator Rudman. That is the last time that is going to happen.

Mr. Gelb. I would like to try to answer if I could.

Senator Hollings. Yes, sir; that is what we would like to know, because it is not authorized.

Mr. Gelb. I know how strongly the President feels about Seville. I have been in direct communication with him, and I have been, as you know, fighting very hard to try to convince people about Seville.

The President will make sure that the OMB supports anything that is necessary—I believe this totally—to support the Seville activity.

Senator Rudman. So your answer, if I understand your answer, is that by the time you work through this, you can affirmatively assure us that if we do make these transfers, it will not affect the operations that we are concerned about? In other words, what you are saying is that if you work this thing through, get the spending rates right, get the cooperation of OMB, the President and so forth and you come to the committee and say, "We want the reprogramming and it will not affect these other activities," which this committee and other committees think are extraordinarily important; in other words, you aren't going to come and ask us to do it unless you can give us that assurance; am I correct?

Mr. Gelb. I can assure you of one thing: It will not affect the Voice. That is the issue that we are really dealing with. We have to, obviously, balance one up with one down.

The Voice will not be affected in terms of construction——

Senator **Rudman**. In terms of its continuity, construction and languages, and so forth?

Mr. **Gelb**. That is correct.

STUDY OF INTERNATIONAL BROADCASTING

Senator **Rudman**. Let me go on to another item on that. I am not going to spend a lot of time on this. I understand that the chairman of the House Foreign Affairs Committee has asked for a study of the merger—or maybe he is not proposing a merger—but a study of what we ought to do about the diversity that we have in the three radios that we are operating and funding, and I assume you support such a study.

Mr. **Gelb**. We are working very closely with the National Security Council which is in the process of developing the actual study right now.

Senator **Rudman**. Because you can go back in history and look at the genesis of those programs and why they were funded and why they were done as private entities. We all understand that for national security and intelligence reasons they were done that way, through other agencies of the Government.

Obviously, today, it is a different situation, and if there was ever a case to be made for having some unity of our broadcasting systems overseas, it seems the time would be now, and it would seem that your Agency would be the one that ought to oversee that. Obviously, there are a lot of bureaucracies around that like to protect their own turf and probably will come up with wonderful reasons why we can't do that.

I expect we will do that. We won't do it this year, but I expect in the next couple of years, there will be some consolidation of these things in some way.

NED FUNDING OF POLITICAL PARTIES

Finally, Mr. Chairman, I just have a question for Mr. Gershman. Maybe you can straighten me out on this. Maybe I am wrong about this, but it seemed to me that in 1986, I guess the last year that I chaired this subcommittee, we had quite a go-around about what percentage of the money that we appropriated would be going to the political parties, and we came up with a figure of 25 percent for discretionary programs.

That was in report language, and subsequently, we decided we wouldn't have any report language anymore because we had assurances at that time that that was probably a pretty good amount of money, 75-25. We were concerned about the political parties, as the chairman has expressed.

There has been a lot of unity on that, at least in this subcommittee. I understand at the last meeting of the Endowment Board a motion was approved which shifts funds from the discretionary grant programs back to the political parties, which would be in violation of the de facto minimum of 25 percent for those grants. I want to know, is that true?

Mr. **Gershman**. It did happen, Senator, but it took place in a context where we were uncertain about what the total budget would be for the Endowment for fiscal 1990. At the time, we thought it was going to be $15.8 million because of the problem over reverting to the 1989 appropriation level.

If we, indeed, are going to receive the full $17 million for 1990, that modest reapportionment that was approved by our board at its January meeting will be absorbed into the increase and we would be able to stay with the 25-percent minimum for the discretionary program.

Senator RUDMAN. Let me tell you one of the reasons that I have had trouble with funding the party institutes is the opportunity for potential political mischief, and I say that on both sides. I think it is a similar concern the chairman and others have had.

I think a good example is the National—and I will pick on the Republicans—the National Republican Institute, which spent $450,000 over the past several years to fund an institute that was named the Association for the Defense of Costa Rican Liberty and Democracy—nice name.

Who could disagree with that? The newly elected president of Costa Rica, Raphael Calderon, was the head of this institute, received a salary of about $50,000 during the time he was in opposition to the former president, Oscar Arias.

I think there were circumstances which could justify this grant, I expect, but I find it difficult to believe that we ought to be spending $450,000 through the political parties in the only stable democracy in Central America when the funds could have been used by the AFL-CIO—that I think does the best job of anybody in this area—in Romania, Poland for Solidarity, in Czechoslovakia, or any other emerging democracy.

When we sit here in this committee and we appropriate money, $450,000 is a grain of sand in the Sahara Desert. We spill that much every minute over at the Pentagon, but the bottom line is, it is still $450,000 of American taxpayers' money.

When I see that money being used by political parties for this kind of activity, frankly, it does not do much to engender too many warm feelings toward the program that you run.

You and I have been through a long, I think, intellectual debate about this, and I have tried to be supportive when I thought I could be. But this 25-percent rule was put in report language; we came to an agreement. I know that institutional memory isn't that good when people change on boards, but I would like to just emphasize that if you want the continued support that I think you deserve, and I agree with the chairman that your organization can do a great deal and has done a great deal, I think you ought to be very careful about what the political parties do, not only in how much money they spend, but in how they spend it.

I don't think that was a good expenditure of money. I am not going to ask you for this, although I may at some point ask you privately, but I would like to see an audit of that $450,000. I would like to see how much eating or, to quote the chairman, eating and meeting and greeting went on.

I really worry about that, because I have looked at some of the expenditures by the political parties, and they tend to meet in Miami in the winter and Franconia, NH, in the summer.

I just don't think we ought to be spending money that way. I would hope that you would make sure your board understands that I am not going to recommend to the chairman that we insert more report language this year and further hamstring you. Maybe there is a reason on a special case to do it, but I think you ought to be very, very careful about how that money is allocated, because I think the general feeling on this committee is that probably the AFL-CIO does the best job of anybody in terms of what it does.

Some of your individual discretionary grants have been astonishingly good, but frankly, none of us are very convinced yet that the two American political parties are that good. We don't even have our own acts together.

If you don't believe it, just look at what is going on in campaign financing. I just wanted to give you that little bit of wisdom.

Mr. GERSHMAN. Can I briefly respond?

Senator RUDMAN. You are free to respond, of course.

Mr. GERSHMAN. Thank you very much, Senator Rudman.

First of all, this was, as you know, just one of many programs of the Republican Institute, which in turn, is just one aspect of the overall Endowment Program, and it was a program which they withdrew after it came under criticism, although they did not accept the validity of these criticisms.

But it was a controversial situation, and they chose to get out of it. As part of the evolution of the Endowment there will be these kinds of problems. I will say that in situations like what we have just been through in Nicaragua, what we are experiencing today in Eastern Europe with the elections coming up, frankly, which may be developing in South Africa, and Secretary Baker referred to it yesterday, the entire Endowment, including the parties, have a very key role to play. I think the evolution has been basically a positive one. We have learned a lot. Sometimes, if I may say, we have learned a lot because of the close scrutiny which this committee has given to the Endowment, and we appreciate it and will continue to.

Senator RUDMAN. Very good, Mr. Chairman.

Senator HOLLINGS. The Senator is right on target. We had a series of questions there. There are two ways, Mr. Gershman, for us to get that information. One is to get GAO to give us an audit of all NED's $17 million, or for you to give it to us. Would you please give us a breakdown? We don't have it broken down other than general descriptive language in the justifications.

I would like to find out how much goes to the parties and then how the parties spend that money in the different programs. Let's furnish the committee that kind of breakdown as you see it. You have got it. Whatever it is, we ought to know about it. The idea is not getting NED; it is the idea to try to rebuild some credibility in NED, because we can go back on the history of different things, as Senator Rudman knows, and these are the kinds of things that tackle us from behind.

By the time we think we are out there and that you are doing a good job and deserve the increase and what-have-you, then they come around and say, "Oh, yes, but they are spending $450,000 for so-and-so."

So furnish the committee, please, with a breakdown and a complete audit of our National Endowment for Democracy allocations for the past year, and then we will look at them and holdup on that series of questions.

[The information follows:]

GRANTS AWARDED TO THE
CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE
FY 1989

Africa

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to assist the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) in its efforts to strengthen and unite the business community's support of Botswana's market-oriented economy through the creation of a national business network. Support is provided for the expansion and reorganizing of BOCCIM's secretariat and the creation of four regional offices which offer scholarships, technical assistance and training at the local level.

$120,900

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to assist the Kenya National Chamber of Commerce and Industry in initiating a collaborative project involving government and the business sectors of five African countries: Kenya, Botswana, Mauritius, Tanzania and Zimbabwe. Representatives from the five countries will define the private sector's role in structural adjustment and economic reform and set the agenda for reform by developing specific structural adjustment programs. Support will enable the Kenya National Chamber of Commerce and Industry to establish a secretariat to staff the project in Africa.

$150,000

Asia

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to assist the Association of Women Entrepreneurs of Karnataka (AWAKE). Established in India in 1983 by a handful of successful women entrepreneurs, AWAKE is developing a resource center and policy research program to assist other women entrepreneurs. Support will enable AWAKE to improve, expand and promote its training and information programs and change the policy environment with respect to the opportunities for women in business.

$ 33,120

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to organize a South Asian Regional Conference on Micro-enterprise and the Informal Sector which was held in Pakistan in December 1989. The goal of the conference was to profile the informal sector phenomenon in specific Asian nations and to prescribe steps necessary to liberate this sector's entrepreneurial energy.

$ 87,450

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to assist the Center for Research and Communication (CRC), which will conduct a program of case studies and seminars designed to encourage new strategies for economic growth throughout the Philippine provinces.

$ 29,030

Europe

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to assist the Association of Hungarian Entrepreneurs (VOSZ), which was granted independent status in 1988. VOSZ seeks to educate Hungarians about entrepreneurship and the importance of economic growth through a series of television commercials boosting the image of private enterprise.

$ 25,000

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to assist the Association of Hungarian Entrepreneurs (VOSZ). (See program description above.)

$ 35,000 *

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to develop a program of assistance to the Krakow Industrial Society (KIS), one of the founders of Economic Action, the Warsaw-based umbrella organization representing Poland's emerging industries. KIS encourages aid to private entrepreneurs, including new business formation, training, and legal assistance. The grant also provides funding for business courses and reading material on various aspects of private enterprise and private sector activities.

$ 19,275

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to develop a program of assistance to the Krakow Industrial Society (KIS). (See program description above.)

$42,500 *

Latin America

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to assist the Mediterranean Foundation's Institute for Economic Studies of Latin American and Argentine Reality (IEERAL) in continuing its economic advisory service for Argentine legislators. The Institute distributes legislative analyses of economic issues to legislators, journalists, business associations and advocacy groups in an effort to strengthen the Congress' policy-making role within a democratic Argentina and promote market-oriented economic policy.

$100,000

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to enable the Action for Private Initiative Foundation to develop a curriculum of ten seminars for high school and university students on market economics and democratic governance and processes. The seminars, which will be introduced into 40 high schools and eight universities throughout Argentina, will stress the importance of private enterprise for economic recovery and the reinforcement of democratic processes.

$ 60,000

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to assist the Foundation of Economics and Administration of the Catholic University of Chile (FEAPUC). FEAPUC educates students entering the work force on the importance of a free enterprise system in fostering economic growth and supporting stable democracies.

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* Funding made possible by a grant from the United States Agency for International Development.

FEAPUC has designed a course on free market economics taught at the National Foundation for Labor Education commercial schools. An annual seminar for teachers of the course is also planned.

$ 60,470

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), for support to the Chamber of Production and Commerce of Concepción to organize a series of seminars throughout Chile to demonstrate to the business community the importance of good relations with labor.

$ 83,730

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to assist the Mexican Entrepreneurial Development (DESEM) in carrying out its "University Impact" program, which seeks to increase Mexican university students' understanding of private enterprise. DESEM, in cooperation with the Technological Institute of Monterrey, one of Mexico's leading private universities, will sponsor a course on private enterprise and entrepreneurial activity covering practical instruction on how businesses are formed, how they operate and their importance to economic growth and democratic development in Mexico.

$ 40,000

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), for support to the Paraguayan Foundation for Cooperation and Development to enable it to continue promoting the integration of the informal sector into Paraguay's formal economy and consolidating the microenterprise segment of the economy into a united advocate for private enterprise. The Foundation will establish a chamber of microenterprise to serve as a voluntary organization representing small business.

$ 95,000

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to assist the Institute for Liberty and Democracy (ILD) in expanding its program advocating the peaceful evolution of Peru from a mercantilist state to a modern, participatory democracy with a market economy open to all. Established in 1980, the ILD program seeks to stimulate public debate and generate positive change of the legal and institutional structure in Peru by developing new legislative and regulatory proposals and acting as regulatory watchdog to ensure that laws are implemented and economic rights protected.

$280,000

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to assist the Center for the Study of Economic and Social Affairs (CERES) in conducting a program using recent research on the economy to advocate market-oriented changes in Uruguay's economic policies. In addition, a symposium will be held for business representatives, political leaders, journalists, top-level public administrators and other private sector research organizations, following which CERES will publish a series of conference reports and legislative proposals.

$ 65,140

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to support the Latin American Association of Business Organization Executives (ALEOE), based in Mexico City. Formed by the first graduating class of the CIPE-sponsored Latin American Institute for Organization Management, ALEOE was created to take over the management of the Institute from the U.S. Chamber of Commerce's

Center for Leadership Development, which created and managed the program for four years. The Institute, which conducts an annual training course in Costa Rica for business organization executives, seeks to strengthen the role of voluntary business organizations in the political and economic sectors of their respective countries.

$ 60,000

Multiregional

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to conduct an in-depth survey of economic reforms in key developing countries. The survey will identify the extent to which these countries are moving toward reform programs capable of generating economic growth and provide guidance on the strategy of reform.

$ 93,700

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), for continued publication and international distribution of English, Spanish and French editions of the quarterly Journal of Economic Growth. The Journal advocates free market/limited government principles and includes information on international business conditions, country economic performance and economic growth indicators.

$225,000

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE), to monitor and evaluate the progress and results of CIPE grants and to develop new projects.

$ 26,080

GRANTS AWARDED TO THE FREE TRADE UNION INSTITUTE FY 1989

Africa

FREE TRADE UNION INSTITUTE (FTUI), to assist the African-American Labor Center in providing direct assistance to the trade union movement of Cote d'Ivoire. Funds are used for labor education programs which reinforce the democratic elements in the labor federation and promote the development of a democratic and representative federation.

$ 35,000

FREE TRADE UNION INSTITUTE (FTUI), to enable the African-American Labor Center to provide direct assistance to the Nigeria Labour Congress (NLC), the trade union movement of Nigeria. The funds are used for education programs for affiliated unions.

$ 33,000

FREE TRADE UNION INSTITUTE (FTUI), to enable the African-American Labor Center to provide assistance to three African regional organizations and the pan-African trade union organization in developing solutions to the serious political and economic problems facing workers on the continent. The Southern Africa Trade Union Coordinating Council (SATUCC) produces documents and statistical research on trends in the region. The Organization of Trade Unions of West Africa (OTUWA) provides assistance to member federations, particularly the federation in Benin. The

Organization of Central African Workers (OTAC) works on behalf of trade union unity in Chad and strengthens ties among its member countries. The African-American Labor Center will assist the Organization of African Trade Union Unity (OATUU) to continue its program in support of working women in its affiliated organizations.

$123,725

FREE TRADE UNION INSTITUTE (FTUI), to enable the African-American Labor Center to assist the Force Ouvriere, the democratic trade union federation in France, which conducts trade union education in Francophone Africa. The program exposes French-speaking unionists to democratic trade union values.

$ 50,000

FREE TRADE UNION INSTITUTE (FTUI), to allow the African-American Labor Center to support the regional office staff in Abidjan, Cote d'Ivoire in carrying out assistance programs to the Organization of Trade Unions of West Africa (OTUWA) and the Organization of African Trade Union Unity (OATUU). Direct assistance to Anglophone and Francophone countries in the region and cooperative programs with the Force Ouvriere are also provided. The regional office staff in Abidjan will implement and evaluate program activities in Cote d'Ivoire and Nigeria.

$193,943

FREE TRADE UNION INSTITUTE (FTUI), to assist the African-American Labor Center in conducting two trade union leadership seminars in the United States for senior African unionists and to continue to develop model course materials to be used in worker education programs in Africa. The leadership seminar focuses on enhancing the skills of African trade union leaders in areas such as adult education, labor economics, collective bargaining, and financial management.

$180,000

Asia

FREE TRADE UNION INSTITUTE (FTUI), to assist the Federation of Korean Trade Unions (FKTU) and its affiliated unions in increasing their ability to influence government policies. The Federation sponsors programs which disseminate its views on labor law reform and legitimize the participation of unions in the political process.

$ 66,000

FREE TRADE UNION INSTITUTE (FTUI), to assist democratic unions under the umbrella of the Trade Union Congress of the Philippines (TUCP) in becoming the preeminent representatives of Filipino workers. This assistance helps the TUCP and its affiliates increase their ability to recruit members and enhance their capability to communicate with workers and the public at large. In addition, it helps build self-sufficient unions by educating members on the importance of dues collection and by reaching out to independent unions and other democratic groups, including those representing women and youth.

$512,820

FREE TRADE UNION INSTITUTE (FTUI), to assist trade union organizations, generally those affiliated with the International Confederation of Free Trade Unions (ICFTU), in countries where the AFL-CIO's Asian American Free Labor Institute (AAFLI) does not have a permanent representative, such as Cyprus, Lebanon, Pakistan and Taiwan. Support includes funding for forums on national issues, seminars and individual study tours on labor law, industrial relations, membership services and leadership skills. The program also provides support to the Asean Trade Union Council (ATUC).

$150,000

FREE TRADE UNION INSTITUTE (FTUI), to enable AFL-CIO affiliates to develop relationships with unions whose members work in related industries or occupations in Asia, the Middle East and the South Pacific. Programs focus on activities that have a direct impact on trade union rights in Asia, though in some instances more traditional technical assistance is provided. Among the unions receiving support are those that organize health workers in the Philippines and public sector workers in the South Pacific.

$ 60,000

FREE TRADE UNION INSTITUTE (FTUI), to assist new trade union movements in the developing countries of the South Pacific in becoming more effective organizations. Programs help unions develop administrative procedures, recruit new members and learn how to formulate policy positions on national issues as well as on employer-employee relations.

$274,638

Europe

FREE TRADE UNION INSTITUTE (FTUI), to develop worker-oriented programs in Hungary under the auspices of two groups, the Democratic League of Independent Trade Unions (FSZDL) and the Democratic Youth League (FIDESZ). The grant will help develop the infrastructure of FSZDL and expose Hungarian labor leaders to Western methods of organization. It will also allow FIDESZ, which has been extensively involved in worker-related issues, to purchase a computer system to publish its two-page, regularly-issued workers' newsletter in Hungary.

$ 65,400

FREE TRADE UNION INSTITUTE (FTUI), to assist the Democratic League of Independent Trade Unions in its program of education of the new independent workers groups in Hungary.

$ 30,000 *

FREE TRADE UNION INSTITUTE (FTUI), to sponsor a three-year teacher-training program in Poland in conjunction with Teachers' Solidarity, the education branch of Solidarity. This project will allow the social studies curriculum in Poland to be systematically revised in order to reflect the principles and practices of democracy. The structure of the union will also be strengthened to permit the teachers greater freedom in presenting alternative curricula.

$ 24,000

* Funding made possible by a grant from the United States Agency for International Development.

FREE TRADE UNION INSTITUTE (FTUI), to support the independent trade union movement in Poland. Funds are provided to the Brussels-based Coordinating Office of Solidarnosc Abroad to disseminate information in the West on trade union rights in Poland and assist union activities inside Poland. Support is also provided for the New York-based Institute for Democracy in Eastern Europe to translate and publish material on worker and human rights-related issues inside Poland and other East European countries. In addition, assistance is given to others engaged in support work for Solidarity publications in Poland.

$435,000

FREE TRADE UNION INSTITUTE (FTUI), to administer funds specially appropriated by the U.S. Congress to provide assistance to the independent Polish trade union Solidarity for disseminating information, sustaining union activists and maintaining its administrative infrastructure.

$1,000,000

FREE TRADE UNION INSTITUTE (FTUI), to fund independent video production through the Gdansk Video Center, established in 1981 by Solidarity. The Center continues to add to its valuable video archive of events in recent Polish history, from the period of martial law up to the present. The Center has served as an important source of uncensored information and hopes to expand its activities to the production of full-length films.

$ 30,000 *

FREE TRADE UNION INSTITUTE (FTUI), to support organizational and educational activities of the Geral Union of Workers (UGT) in Portugal. Forty-five full-time staff divided among UGT's fifteen affiliates are involved in organization, communications, research, and basic training for shop stewards. The project will support a training department for the UGT and for each of its affiliated unions. The educational program will provide instruction on the theory and practice of democratic unionism.

$236,938

FREE TRADE UNION INSTITUTE (FTUI), to provide funding for two projects designed to aid the trade union movement in the Soviet Union. The grant will enable the Center for Democracy to provide assistance to independent trade unionists who are active in Uzbekistan and the Krasnodar territory of the Soviet Union. It will also allow trade unionists in the Soviet Union to purchase computer equipment needed for the preparation of publications on worker rights, occupational health and safety and other workplace issues.

$ 9,000

FREE TRADE UNION INSTITUTE (FTUI), to produce a manual and accompanying video explaining basic printing techniques for independent publishers in Eastern Europe and the Soviet Union. The material will be produced in Russian, Ukrainian, and Czech versions. Emigre groups well-acquainted with dissident movements in these countries will serve as the conduit for the information and technology to ensure the widest possible distribution. Materials written by fellow Eastern European independent trade unionists detailing their activities will also be disseminated.

$ 21,000

Latin America and the Caribbean

FREE TRADE UNION INSTITUTE (FTUI), to support the Brazilian General Confederation of Labor in its nationwide union organizing campaign. The program also supports activities designed to ensure that the interests of workers are taken into account in national decision-making.

$157,800

FREE TRADE UNION INSTITUTE (FTUI), to fund labor education courses in Chile conducted by the Democratic Workers' Central (CDT) and democratic unions which are members of the Single Workers' Central (CUT) in Chile. Political education through various training seminars will be an important component of the unions' activities as the nation works toward return to representative government.

$112,000

FREE TRADE UNION INSTITUTE (FTUI), to provide support to the National Confederation of Dominican Workers (CNTD) for a program of seminars, publications and organizing. CNTD plans 14 seminars on political development for its affiliates. Training will be supplemented by publication of the confederation's monthly newspaper.

$ 36,000

FREE TRADE UNION INSTITUTE (FTUI), to extend assistance to the political education committee of the Guatemalan Confederation of Labor Unity (CUSG) to continue organizing seminars for union leadership and the rank-and-file. The seminars focus on democratic values and worker participation in the political process.

$ 32,000

FREE TRADE UNION INSTITUTE (FTUI), to help Haitian workers become aware of their rights and how to defend them. The project subsidizes the administrative costs of the Federation of Trade Unions and the Independent General Organization of Haitian Workers and assists in maintaining their offices in Port-au-Prince. Both organizations plan to issue publications, use commercial media to inform members of their rights, and conduct seminars to develop a group of instructors to conduct labor training courses at the local level throughout the country.

$ 64,000

FREE TRADE UNION INSTITUTE (FTUI), to provide support to the Confederation of Honduran Workers (CGTH) to conduct training and organizing activities. Assistance to the CGTH will help democratic labor to continue its participation in nonpartisan political education.

$ 36,000

FREE TRADE UNION INSTITUTE (FTUI), to organize a series of information and education programs designed to assist Nicaraguan trade unionists in developing their organizing skills and ties of solidarity with other trade union organizations in the hemisphere.

$397,345 *

FREE TRADE UNION INSTITUTE (FTUI), to provide assistance to affiliated agrarian unions and cooperatives to enable their members to plant and harvest in 1989.

$ 80,207 *

FREE TRADE UNION INSTITUTE (FTUI), to assist Nicaragua's independent labor movement in mobilizing workers and their families for full participation in the electoral process and to strengthen the ability of democratic trade unions to support human rights and workers' rights.

$415,000 *

FREE TRADE UNION INSTITUTE (FTUI), to provide year-long assistance to the Workers' Inter-Union Movement (MIT) to strengthen Paraguay's free trade union movement and to monitor workers' rights.

$ 92,668 *

FREE TRADE UNION INSTITUTE (FTUI), to support the political education and labor training program of the Confederation of Peruvian Workers (CPT). The CPT will engage the part-time services of newspaper correspondents to ensure adequate coverage of its activities and its position on key political and economic issues. Union members also will be trained in political ideologies, trade union activity and the fundamentals of democracy.

$ 25,000

Multiregional

FREE TRADE UNION INSTITUTE (FTUI), to provide program support for the Service Employees International Union and the Bricklayers and Allied Craftsmen International Union to enable them to cooperate with respective international trade secretariats in their work with trade unions throughout Latin America and the Caribbean.

$112,000

FREE TRADE UNION INSTITUTE (FTUI), to provide funds for U.S.-trained instructors and educational materials for regional trade union courses on political economy. An education manual on trade issues will be completed, and an older manual on democracy in developing countries will be revised and updated.

$ 74,400

FREE TRADE UNION INSTITUTE (FTUI), to continue the exchange activities of U.S. trade unionists to Central and South America. Delegations of six to eight trade unionists will travel to Latin America to learn and report on the situation and lend U.S. labor support to workers in the region.

$189,040

FREE TRADE UNION INSTITUTE (FTUI), to enable the Inter-American Committee on Human and Trade Union Rights to monitor worker rights violations and take appropriate action. The committee is sponsored by the International Confederation of Free Trade Unions and its hemispheric affiliate, the Inter-American Workers' Organization (ORIT). The funds will support a staff coordinator in ORIT's Mexico City headquarters as well as information centers in various countries. The project produces a monthly Update newsletter which is distributed to confederation affiliates throughout the international human rights community.

$ 92,000

FREE TRADE UNION INSTITUTE (FTUI), to support activities designed to strengthen democratic trade unionism in the French-speaking Caribbean in cooperation with the French democratic trade union, Force Ouvrière (FO), and to help insure the survival of independent unions in the French-speaking Caribbean nations.

$ 32,000

FREE TRADE UNION INSTITUTE (FTUI), to provide assistance to nonpartisan committees on political education in the democratic labor federations in Guatemala, Honduras, Panama and the Dominican Republic. The committees are working to raise the political consciousness of union members through educational conferences, training seminars and public forums.

$ 35,000

FREE TRADE UNION INSTITUTE (FTUI), to continue the International Trade Secretariats program begun by the American Federation of Teachers. The project monitors teachers' rights and academic freedom in dictatorial countries in cooperation with the AFT's international trade secretariat, the International Federation of Free Teachers Unions. The project coordinator will monitor activities in four countries with various forms of dictatorship.

$ 50,000

FREE TRADE UNION INSTITUTE (FTUI), to assist the AFL-CIO in expanding the circulation of mainstream democratic thought throughout the world by distributing editorial features to newspaper editors, especially in Asia, Africa, Latin America and the Caribbean. The service sends three or four 750-word opinion pieces each week to a growing number of newspapers (currently about 220).

$100,000

FREE TRADE UNION INSTITUTE (FTUI), for a special program fund enabling it to meet urgent requests for trade union assistance and supplement existing programs as necessary.

$ 73,323

GRANTS AWARDED TO THE NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS FY 1989

Africa

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), for a two-part project aimed at supporting free and fair elections and encouraging democratic pluralism through voter education and election monitoring in Namibia. NDI's grant to the Namibia Peace Plan and Contact Group allowed it to conduct mass voter education programs prior to the November 1989 elections and establish an independent election-monitoring system. A series of workshops and seminars was conducted by political activists to encourage voter participation.

$144,480

Europe

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), for its survey mission, "Hungary: A Possibility of Pluralism," undertaken to establish contact with the political opposition. The delegation obtained an accurate perspective on the political changes occuring and laid the groundwork for a program of cooperative party-building and democratic development. NDI delegates were accompanied by representatives of the Liberal International, whose worldwide membership offers the independent parties in Hungary the opportunity to become integrated into the international democratic community.

$ 28,215

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDIIA), to organize several nonpartisan training seminars on the practical mechanisms of democratic party organization, civic education and campaign methodology. In September 1989, NDI brought technical experts from Poland, Britain, Chile, Northern Ireland and the United States to Hungary for workshops with 55 leading organizers from five of Hungary's new or revitalized political parties. Topics included party structure and administration, party message development, grass roots organizing, the use of public opinion data, media relations and candidate selection.

$ 46,400

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to sponsor the Alliance of Free Democrats in their efforts to organize the Foundation for a European Hungary. During this transitional period, the Foundation will shape political public opinion in Hungary through publications, seminars, and lectures on democracy. The grant will also enable NDI to develop political training seminars providing outside expert review of the new electoral system, as well as a program to observe and monitor the March 1990 elections.

$ 65,000 *

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to sponsor the participation of two Americans in the Social Democratic Group's (SDG) third annual youth conference, "Choices for a New Generation," and in an SDG-organized conference on women in Northern Ireland politics.

$ 8,100

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to provide administrative and operational support to the Social Democratic Group, Limited (SDGL) of Northern Ireland for its training, research and civic education programs. Established in 1986 with NDI support, the SDGL is affiliated with Northern Ireland's Social Democratic and Labour Party.

$ 35,015

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to sponsor an international conference on "The Role of Parliaments in Developing National Economic Policy." The conference provided Polish parliamentarians an opportunity to learn the means used by legislatures in other countries to consider economic issues and develop national economic policy. Participants included 65 Polish parliamentarians and eleven Western European parliamentarians from across the political spectrum and a five-member U.S. congressional delegation led by Walter Mondale and Howard Baker.

$ 82,678

* Funding made possible by a grant from the United States Agency for International Development.

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to conduct a systematic review of the administrative and legal procedures relating to the March 1989 elections to the Congress of People's Deputies in the Soviet Union. Due to unforeseen circumstances, the study was not completed prior to the elections, and most of the funds originally earmarked for this project were reprogrammed to other projects in Eastern Europe.

$ 4,089

Latin America

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to conduct a two-part program encouraging Argentina's military and civilian political leaders to develop mechanisms to integrate the armed forces into civilian society. NDI sponsored a week-long workshop in Washington, D.C. in April for six Argentine political and military leaders on U.S. management of civil-military relations. In July, a conference in Montevideo, Uruguay brought together legislators, political and military leaders, and civil-military experts from Argentina, Uruguay, Brazil, Israel, Spain, Paraguay, and the United States to explore the role of the military in a democratic government.

$ 93,730

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to support a public opinion survey project of a consortium of Chilean research institutes. The consortium gathered information on the Chilean public's attitudes toward democracy and plans to conduct an international seminar on the role of public opinion polls in a democratic society.

$ 99,757

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to assist the Chilean Committee for Free Elections (CEL) in its efforts to promote debate and consensus on key legislative, administrative, electoral and constitutional reforms as a means of ensuring free and fair elections and a peaceful transition to democratic government.

$ 25,000

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), for a research project and party-building seminar. The research project will produce an in-depth analysis of the structure, objectives, procedures, activities, and future plans of the key actors in Haiti's transition process. A follow-up seminar based on the research results will be held to help strengthen the role of political parties in Haiti's transition to civilian government.

$ 46,229

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to assist the efforts of Nicaraguan democrats to promote free and fair elections. In July 1989, NDI sponsored a seminar in Managua on electoral participation with leaders of the 14 political parties that make up the civic opposition coalition. The grant was also used to support the Institute for Electoral Promotion and Training, an electoral training institute created to promote participation and instill confidence in the electoral process.

$290,140 *

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI)\ NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to conduct a joint project to assist Nicaraguan democrats in carrying out programs to encourage participation and instill confidence in the electoral process and promote free and fair elections. Activities include voter registration, civic education, election-monitoring, get-out-the-vote drives, and training of poll watchers.

$450,000 *

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to carry out a series of seminars and workshops for Panamanian political parties and democratic activists led by Venezuelan, Chilean, and U.S. electoral experts. The seminars are designed to assist the efforts of Panamanian political party leaders and civic activists in bringing about peaceful democratic change. Assistance also enabled the political parties and civic groups to conduct civic education programs and to establish an independent election-monitoring system for the May 1989 elections.

$ 99,665

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to assist the Center for Democratic Studies (CED), a non-partisan institute based in Asunción, in its program to promote civic education and democratic development.

$ 45,000

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to assist the Center for Democratic Studies (CED) in its program to promote civic education leading up to the May 1989 elections. Activities included poll-watcher training seminars, a mass media civic education campaign, a public opinion poll and the establishment of a "quick count" system. In addition, funds were used to finance the election-monitoring activities of an international observer delegation.

$131,500 *

Multiregional

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), to assist the International Institute for Women's Political Leadership with the formulation of its program activities and operational structure, including the arrangements for research facilities at Radcliffe College, Harvard University.

$ 54,936

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI), for program development in the areas of party-building workshops, electoral systems and election observation, civic education and research and conferences.

$ 80,000

GRANTS AWARDED TO THE NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS
FY 1989

Europe

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to assist the Hungarian Democratic Forum in its education program, in the development of its communications capabilities and in consolidating its organization. NRIIA will also participate in political training seminars and will prepare a program for observing and monitoring the March 1990 elections.

$ 75,000

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to provide a grant to the Krakow chapter of Freedom and Peace for the translation and publication of works by modern conservative intellectuals and the eventual production of a quarterly journal of opinion. The group advocates non-violent political activism, individual liberties and involvement in the international environmental movement.

$ 20,000

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to assist the Democratic Youth Community of Europe to initiate the formation of regular and permanent contact between independent youth organizations in Western and Eastern Europe, as well as institutional cooperation between young Europeans and U.S. political leaders.

$ 25,000

Latin America

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to support the Institute for Market Economics (IESM) of Argentina in advancing democracy through the advocacy of individual rights, constitutional order and private enterprise. Through publications, seminars, and youth essay contests, the IESM actively engages political leaders, government leaders and the general public.

$ 88,000

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to assist the Bolivian Foundation for Democratic Training and Research (FUNDEMOS), a public policy research institution devoted to Bolivian democratic development and the application of free market solutions to economic problems. FUNDEMOS will continue to conduct a series of democratic educational seminars and leadership programs for a broad segment of Bolivian society.

$ 88,000

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to support the Center for Public Studies (CEP) in Chile for its public opinion surveys. The publication of the results of various polls has provided vital information about the political attitudes and expectations of the Chilean electorate. Results of CEP's surveys are used by decision makers from all sectors of the political spectrum and are helping to facilitate Chile's transition to democracy.

$120,000

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to assist the Costa Rican Association for the Defense Liberty and Democracy, an educational and training foundation, to carry out programs of legislative research and conduct seminars on Central American issues.

$ 88,000

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to allow the Freedom in Democracy Committee in Dominica to continue its program to promote democratic values through citizen participation in a series of seminars, lectures, publications and community development projects.

$ 54,500

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to support the Center for Social Economic Studies (CEES), a Guatemalan research and educational organization. CEES promotes free market economics and democratic values within business, educational and political circles. It also conducts research and analyzes policy for the legislative branch.

$ 36,000

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to support the activities of the Institute for Democracy, Solidarity and Social Peace (DEMOS PAZ), an organization devoted to fostering democratic development and pluralistic institution building in Mexico. The project is designed to increase popular understanding of human rights, citizen responsibilities, political participation and international cooperation.

$ 48,000

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to convene a conference in Mexico on democratic development. Participants at the July conference included leaders of Latin American political parties, representatives of research foundations, European and North American political experts, journalists and others. Topics of discussion included the development of democratic language, the use of public opinion surveys and consolidation of democracy in Latin America.

$ 50,000

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to enable two conservative educational institutes in Nicaragua to undertake civic education projects designed to promote an understanding of democratic principles among political activists and youth leaders and provide instruction in job skill development.

$ 85,000 *

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to sponsor an international electoral training seminar for Nicaraguan political leaders and to bring international youth organization representatives to Nicaragua for a fact-finding visit.

$107,000 *

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to cover the partial costs of installing a fully-equipped television production facility in Nicaragua and to produce a series of news and information programs for broadcast on Nicaraguan television.

$252,000 *

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS (NDI)\ NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to conduct a joint project to assist Nicaraguan democrats in carrying out programs to encourage participation and instill confidence in the electoral process and promote free and fair elections. Activities include voter registration, civic education, election-monitoring, get-out-the-vote drives, and training of poll watchers.

$450,000 *

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to support the activities of the Jamaica-based Secretariat of the Caribbean Democratic Union (CDU), an organization of ten moderate and conservative democratic political parties in the English-speaking Caribbean. The CDU hosts seminars on democracy and political participation, publishes a quarterly newsletter and is building a data base of issues pertaining to the Caribbean Basin.

$175,705

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to assist the Central American Academy, a cooperative effort of four conservative foundations in Costa Rica, Guatemala, Honduras and Nicaragua dedicated to strengthening democratic principles in Central America. Regional training seminars on topics such as institution building, communications and party building are offered by the Academy to intermediate and grass roots civic groups along with a broad spectrum of rural inhabitants.

$136,000

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to assist the Colombia-based Inter-American Forum of the Simón Bolívar Foundation in its program of exchanges and the dissemination of literature on democratic development among moderate and conservative democratic political parties in Latin America. These activities help to build stronger democratic institutions through improved communications, organization and public opinion surveys.

$ 88,000

Multiregional

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), to assist the International Institute for Women's Political Leadership in its international program of political education and leadership training for women in established and emerging democracies.

$ 20,000

NATIONAL REPUBLICAN INSTITUTE FOR INTERNATIONAL AFFAIRS (NRIIA), for research and program development activities, including the sponsorship of forums, publication of materials and academic research into contemporary issues of democratic development.

$ 52,000

* Funding made possible by a grant from the United States Agency for International Development.

EXHIBIT FOR U.S.S.R.

Senator HOLLINGS. Mr. Gelb, in the reprogramming, you were saying that you are going to cancel a $1.6 million exhibit in Russia. Do you remember, Vaclav Havel said, "If you want to help Czechoslovakia, help Russia."

Here, instead of helping Russia, which we thought was a valid request, why are you finding it unnecessary?

Mr. GELB. We are canceling the exhibit, I believe, as much for safety and security and balance for the Soviet Government as any other reason.

Mr. SILVERMAN. The particular one, Mr. Chairman, was a delay. We had money in the 1990 budget to begin to design the exhibits that were going to follow the current exhibit that is traveling through the Soviet Union. We reprogrammed that money and instead, there is an item in our budget in 1991 that would plan smaller scale exhibits in the Soviet Union.

Given the openings in the Soviet Union, we felt that perhaps we could cut back on the scope of exhibits that we have had, which were quite costly, given the other opportunities to reach the Soviet Union with information and cultural programs.

EAST-WEST CENTER INCREASE

Senator HOLLINGS. With respect to the East-West Center, I have a series of questions that we will submit for our colleague, Senator Inouye, a member of the committee, but how much did the East-West Center request for 1991?

Dr. LI. For 1991, $20 million is the amount in the budget, sir.

Senator HOLLINGS. How much did you request of USIA? I know you were knocked down to $20 million by OMB. Obviously, you are just continuing the $20 million for 1990, which I understand was cut by way of sequester. Did you ask for any increase there?

Dr. LI. We requested an enhancement of $6 million, plus mandatories.

Senator HOLLINGS. For an increase of $6 million?

Dr. LI. Yes.

Senator HOLLINGS. And that was refused?

Dr. LI. Yes.

Senator HOLLINGS. What did the Center plan to do with the additional $6 million?

Dr. LI. Right now, much of our attention is turned toward Eastern Europe, and rightly so. But all of those things that made us talk in the recent past about the Pacific era are still there. This country's lack of capacity to deal with the Pacific is still there. What the Center is trying to do is to build this capacity.

Using Western Europe as a comparison, over centuries people within Europe, and between the United States and Europe have built up a body of knowledge and understanding about each other and means of working through problems. Asia has kind of sprung up on us over the last couple of decades. We do not have the information to deal with each other; we have disagreements over what is correct information and analyses. All of these things have to be done before presidents and prime ministers meet. This is what the Center is doing.

I could cite an example, sir. Last year the State Department undertook the ASEAN-United States initiative to review our relations with ASEAN. The Center led the American study team. We worked with a team of people from ASEAN. Together, we examined a whole range of problems, some economic and some political. We also looked at a series of possible solutions. That joint study was presented to the governments on both sides.

I think that is now a key part of the agenda for the negotiations going on between the United States and the ASEAN countries. My point is that kind of ready-built knowledge we have for dealing with Europe does not yet exist for Asia.

Senator HOLLINGS. And the $6 million was for that; is that what you are saying?

Dr. LI. It is for that. It is also for working with the business community so that they would have the necessary information. And there are many political issues that we don't understand.

China came awfully close. I think of that tank driver and that fellow dancing in front of him. If the tank driver shrugged, we would be arguing now whether Gorbachev or China should get the credit for the Berlin Wall. For our own national interest we need to understand what is going on in Asia and what is going to go on in the future. It is for that type of study.

On cultural issues, the cultural diversity in Asia is enormously wide, much wider than Europe. In the pit of my stomach, sir, I feel that part of our present problem now in our negotiations with Japan is that we are trying to deal with cultural differences, under this terrible name of structural impediments initiative, with legal and economic tools. But we do not really understand what value they put on various factors, and they do not understand what value we put on various factors.

Thus, there is no way to make an equal-for-equal trade. That understanding has got to be developed. I think we in the United States, over the next decade or more, have got to make a turn in our national orientation so that our purview takes in not just Europe—we are pretty good on that—but also takes in Asia and the Pacific, as well. We are not good on these regions.

The Center is doing a series of programs to increase knowledge about Asia, starting from kindergarten, using Hawaii as a kind of laboratory.

From kindergarten to the 12th grade, how does a kid learn about Asia? We are trying to do the same thing at the college level. I suspect in 2 or 3 years, our programs will probably be in every State in the country. We want to develop a course on Asia, that every student could take, whatever the student's major, a counterpart of physics for poets. Such a course does not exist now.

It is for this whole range of activities sir, that we request additional funds. I would like to submit for the record these materials which explain in more detail what we plan to do with the funding.

Senator HOLLINGS. It will be made part of the record.

[The information follows:]

CENTER FOR CULTURAL AND TECHNICAL INTERCHANGE BETWEEN EAST AND WEST, INC.

EXECUTIVE SUMMARY

The Asia/Pacific region has grown economically with near-explosive force during the past thirty years. The region is moving so fast, on so many fronts, that it is becoming increasingly difficult for the United States, traditionally oriented toward Europe, to adjust. The "economic miracle" of Japan and the Newly Industrializing Economies, the opening of China, the Soviet Union's growing interest in the region, and a multiplicity of trade problems are major challenges. Many other complex issues demand attention. Decision-makers in Congress, in the Administration, in the private sector, and public opinion leaders in the media and in education, need much more accurate information and clear analysis about the region.

Whether the rapid growth in Asia and the Pacific is viewed with hope or alarm, the United States needs more effective ways of dealing with the region, including mechanisms and institutions comparable to those already in place in our relationships with Europe. In this era of public diplomacy, there is also a much greater need for the American public to acquire a better understanding of the region. This means providing the next generation of students with better education about Asia and the Pacific, and helping the news media acquire a deeper knowledge of the region.

The need to substantially increase our capacity to deal with Asia and the Pacific in the coming decade is a major national task for the United States. The East-West Center, with nearly three decades of collaborative research and education in the region, has built a strong foundation of knowledge and cooperative relations with the region. The Center can play a central role in this national effort.

Congress established the Center in 1960 "to promote better relations and understanding between the United States and the nations of Asia and the Pacific." The Center is the nation's only federally-supported civilian institution focusing its entire resources and energy on the Asia/Pacific region and its relationship with the United States.

Since 1986, Congress has annually appropriated $20 million for the Center to carry out its mission. The time has now come for the Center to substantially expand its role in helping the United States better understand and deal with the Asia/Pacific region. For FY 1991, the Center is seeking an additional $6 million in enhancements to carry out new and expanded programs described in the following pages and to increase the number of exchange participants from 2,000 a year to over 3,000.

FY 1991 BUDGET REQUEST

FY 1991 MAJOR PROGRAM ENHANCEMENTS
(in thousands)

	Approp	C/S & Other	C&G	Total
Education, Research & Training Program				
Economic Development	$1,550	$ 600	$ 300	$2,450
International Relations	850	300	200	1,350
Professional Exchanges	900	400	200	1,500
Public Education	1,000	300	150	1,450
Cultural Change	700	250	200	1,150
Subtotal	$5,000	$1,850	$1,050	$7,900
Program Direction, Admin & Institute Support				
Support Costs	$1,000			$1,000
Subtotal	$1,000			$1,000
Total	$6,000	$1,850	$1,050	$8,900

I. ECONOMIC DEVELOPMENT

Enhancement Requested	$1,550,000
External Funds To Be Raised	900,000
Total	$2,450,000

Many of the problems confronting the United States and its relations with Asia and the Pacific are economic in nature. In the future, policymakers in the region will require much more sophisticated and in-depth analysis of how the economy of each country operates, and how the closely interconnected economies of the region affect each other.

1. US/Japan Economic Cooperation Project

Appropriated Funds: $300,000

The Center, drawing on its strong international cooperative research capacity, will develop a broad-gauged program on US/Japan economic relations by examining the issues in a regional context. This fresh perspective will add a much-needed dimension to the policy discussions of both government and the private sector in the United States and the region. Key issues include the impact of US/Japan economic relations on ASEAN, China and the Newly Industrializing Economies; investment, advanced technologies and technology transfer; the impact of new economic and political arrangements within the region; promising avenues for future cooperation; and the future of Overseas Development Assistance in Asia.

2. ASEAN Studies Program

Appropriated Funds: $300,000

The Center, already established as one of the nation's leading authorities on Southeast Asia, will intensify its research on trade and investment issues relating to US/ASEAN economic relations, and will initiate further studies on how the ASEAN members can best expand regional economic cooperation. Research will include examination of trade in services, intellectual property rights, the possibility of a US/ASEAN free trade area, industrial joint ventures, plus appropriate follow-up on the recently completed ASEAN/US Initiative. We will also expand our studies of Burma, Vietnam, Laos and Cambodia as these countries increase their opening to the outside world. A series of major conferences will be held to present research findings to US and ASEAN government and business executives, with emphasis on foreign investment and trade issues.

3. Asia/Pacific Economic Outlook

Appropriated Funds: $300,000

This program will continually project the mid-term economic picture for the region, and provide a "forward looking radar" for upcoming problems and opportunities. It will analayze regional and individual country policies in the areas of trade, debt problems, industrial restructuring, economic cooperation and integration, and continuously evaluate the Uruguay Round of GATT. It will also investigate sector-specific structural changes. The program will regularly release bulletins and briefing papers. It will pay special attention to the private sector and to policymakers, enabling US business to obtain timely and comprehensive information on trade and investment in the region. The research results will also be useful to Asian governments and regional groupings such as SAARC (South Asia Association for Regional Cooperation) and ASEAN by indicating how they can improve cooperative economic relations among themselves and with the United States.

4. Regional Development

Appropriated Funds: $300,000

Building on data and research already completed, the Center will focus initially on the development of three areas which have international significance: coastal development in China, international trade and industrial restructuring in the Japan Sea region, and urban and regional development in the Pearl River Delta of Southern China.

The study of coastal development will examine the rapid development of industrial enterprises and their impact on the environment, infrastructure, rural transformation and urban expression in the heavily populated coastal regions of China. Developing options for the transfer of some 200 million surplus agricultural workers will be of great interest to China's policymakers.

Rapid changes in economic relations are taking place among the countries surrounding the Japan Sea--China, Japan, the two Koreas, and the Soviet Union. The opening of China's economy and the Soviet Union's desire to participate more actively in the region's economic dynamism have stimulated intraregional economic activity. Increased economic interdependence and realignment are likely to have significant effects not only on international economic and political relations among the countries in Northeast Asia, but also on those in the wider Pacific Basin, including the United States. The implications are far-reaching for all countries and involve a wide range of related phenomena: patterns of resource use, regional development, industrial structure, urbanization, and transport.

The Pearl River Delta study will examine external and internal factors affecting industrial development in this region which encompasses Guangzhou (Canton), Hong Kong and Macao. The study will also assess the impact of development in the delta on the regional economy of South China, including rural-urban relations. The direction of future development in this region will have great impact on all of East Asia.

5. Market Reform in Centrally Planned Economies

Appropriated Funds: $200,000

One of the most dramatic recent shifts in development strategy is the move by the centrally-planned economies of China, Vietnam and the Soviet Union toward market reform and emphasis on greater individual incentives. As a first step, the Center will undertake an in-depth study of market-oriented developments and the formulation of industrial policies in China as it looks to the year 2000. In addition, the study will evaluate trends toward international protectionism versus liberalization; capital flow, world debt, direct foreign investment and official development assistance; and China's future role in the development of the Asia/Pacific region. The data analysis from this research, using as a base earlier Center studies on private sector development in other Asian countries, will provide insights for government and business planners in their evaluation of the evolving process for other centrally-planned economies.

6. Energy and Mineral Resources

Appropriated Funds: $150,000

The Center's energy program is already widely recognized for its energy studies and forecasts. The Center will expand its work by organizing major international meetings to be held in Washington, DC and other US cities as a vehicle for government officials, representatives of energy-related industries and the media to focus on energy demand and supply; interactions between energy demand and economic growth; US and Asian energy security, market dependence and risk of supply interruption. Government policy and its impact on domestic energy industries, measures for renewable energy and conservation, and environmental and safety risks of energy policies also will be analyzed and discussed.

Minerals and metals trade in the Asia region now exceed $25 billion a year and more than $2 billion is presently invested in mineral development projects. Another $5 billion of US investment is expected. The region's minerals industries not only play an essential role in overall economic development, but will also have a profound impact on trade, investment and security of supplies in the 21st century. The Center proposes to create a comprehensive Asia/Pacific mineral resource database system, to initiate cooperative research projects with mineral agencies within the region on trade, investment and security, and to conduct industry, government and research group meetings on critical mineral issues. No such support facilities or activities presently exist within the region.

II. INTERNATIONAL RELATIONS

Enhancement Requested	$ 850,000
External Funds To Be Raised	500,000
Total	$1,350,000

Just as new mechanisms and institutions must be developed for managing our burgeoning economic activities with Asia and the Pacific, so must new processes be developed to deal with our increasing complex international relations in the region. We will focus on the Southwest Pacific and the much neglected Pacific Island nations; political and diplomatic issues such as the changing Soviet, Japanese, and Chinese roles in the region; and political developments that will affect future relations, such as the political liberalization going on in many Asian countries.

1. Pacific Island Countries and Territories

Appropriated Funds: $250,000

The Center's Pacific Islands Development Program is the premier point of contact between the United States and many of the island countries of the Southwest Pacific. Twice each year, a committee of the heads of government of these countries meet with the Center to discuss their development needs, help set the Center's research agenda, and review our research findings. A strong relationship of confidence and trust has grown over the years. No other program in the country with any part of the world has such a close relationship between foreign political leaders and an American scholarly institution. The peaceful and economically stable development of the Pacific Island nations is vital to the overall stability of the Pacific.

Acting on the advice of the island leaders, we propose to expand the program to give special emphasis to: development of improved economic relations between the US and the Pacific Island nations; encouragement of closer collaborative relations between the private sector and Pacific island governments; expansion of the permanent database program which has been established to develop macro-policy models for Pacific Island economies; and planning of regional development strategies.

The expanded program will enable the Center to provide the most competent and qualified resource assistance to meet the development needs of the Pacific Islands region in the 21st century, and will help ensure continued good relations between the United States and this region.

2. The Southwest Pacific Project

Appropriated Funds: $100,000

There is no research institute or university program on the United States mainland that gives continuous attention to the international relations and politics of the Southwest Pacific. The need for such attention has been dramatically demonstrated by such recent developments as the ANZUS crisis, the fisheries disputes with the US and the fishing agreements two Pacific Island nations signed with the Soviet Union, the Fiji coups, civil strife in New Caledonia, and questions relating to French nuclear testing. The project has begun with an ongoing US/Australia/New Zealand dialogue that reviews present and upcoming issues.

3. New Patterns of Asia/Pacific Security

Appropriated Funds: $180,000

A new pattern of international security is emerging in which several countries, especially Japan, China, and India are becoming more important at a time when Soviet and American roles are undergoing change. In addition, military issues are beginning to recede, while economic matters come to the forefront. This new pattern affects long-standing regional security problems such as those in the Korean peninsula, Indochina, and South Asia (especially Afghanistan).

This program will examine how and why the nature of security relations is changing, and the implications of these changes for the United States and other countries. A principal research question will be whether the United States can successfully reduce the cost of its military presence in Asia without damaging the security interests of its friends and allies. Through our well-established networks throughout the region, there will be extensive participation in these analyses by Asian and Pacific political leaders and scholars.

4. Political-Economy and the Dynamics of Asian Societies

Appropriated Funds: $160,000

Tension between forces for political liberalization and those for authoritarianism is likely to be a continuing feature of Asian politics for the next several decades. This tension is related to deeper cultural divisions and processes of social change. With growing interdependence, these changes will inevitably impact the US economy and foreign policy. Research on the evolution of these tensions is particularly needed on China, where political and economic directions remain unpredictable, and on Japan, which faces considerable internal problems despite its secure place as an economic superpower.

5. Issue Task Forces

Appropriated Funds: $160,000

This program will strengthen contacts among Americans and Asia/Pacific peoples who have expertise on similar important international issues but often lack opportunity for meaningful free exchange of views in non-official settings. A number of Asia/Pacific "issue task forces" will be established to consider problems or countries where network building and regular interchange among specialists is needed, for example, Indochina, Burma, and Soviet/Asian relations.

An initial dialogue program has been undertaken entitled "Committee on US/Korean Relations." This will be a binational undertaking of eminent persons to examine issues in the increasingly complicated and difficult US/Korean relationship, and to make policy recommendations.

III. PROFESSIONAL EXCHANGES

Enhancement Requested	$ 900,000
External Funds To Be Raised	600,000
Total	$1,500,000

A hallmark of the Center is its strong tradition of collaborative research with partners in the region. The rapid growth of relations between the United States and the region requires new levels of interchange, among journalists, business people, political officials and other professionals. The Center is uniquely qualified, because of its history and its mid-Pacific and multi-cultural location, to serve as the catalyst for these much-needed person-to-person exchanges.

1. Media and Politics

Appropriated Funds: $700,000

One of the most successful international exchange programs in the past 25 years has been the Center's Jefferson Fellowships, which annually bring a group of journalists from Asia/Pacific and another group from the United States to the Center for a month of seminars and discussion, followed by a month of travel in each others' countries, culminating in a week at the Center where the Fellows discuss their experiences. The impact of this program on the Fellows' reporting has been very substantial. We plan to increase the number of Jefferson Fellows, and also give additional attention to radio and television reporters.

An additional media project will bring up to 30 American senior editors and publishers together annually in a three-day seminar in which

Asian/Pacific editors discuss the latest news developments in their countries, and get American viewpoints on US news happenings.

A new program is being developed which would bring American radio news journalists and counterparts from Pacific Island countries to meet at the Center for an initial week of study and orientation about each others' countries. Then the Pacific journalists would travel to US radio stations to gain practical experience, while the Americans would travel to Pacific Island radio stations to learn first hand about local conditions. The program would end with a final week at the Center to compare cross-cultural experiences in radio broadcasting.

Using the success of the Jefferson Fellowships model, the Center will build similar programs for other professionals. The New Generation Seminar, a prototype program, will be substantially expanded. This seminar brings together young parliamentarians and other government officials rising toward leadership positions for two weeks of intensive discussions about critical issues in their countries and in the region.

The program will also include experts in selected fields (such as trade, health, resource management) and meetings with senior policymakers. A similar program is being installed for mid-career business executives from the United States and the Asia/Pacific region.

2. East-West Center Alumni

Appropriated Funds: $200,000

The network of Center alumni stretches throughout the Asia/Pacific region and is a tremendous although difficult to tap resource. The 25,000 alumni include a large group of distinguished persons occupying key positions in their societies. A closer working relationship with the alumni will contribute significantly to carrying out the mission mandated by Congress. Through more frequent and substantive meetings and a new quarterly journal, the Center will improve communication with alumni, and will develop other means to mobilize the support and expertise of the alumni.

The development of substantive alumni chapter programs requires Center guidance and assistance. Initial efforts will focus on building the capabilities of the chapters. During the next several years, various chapters are organizing regional conferences to examine what these groups of diverse yet well established alumni see as the important upcoming issues in the region.

IV. PUBLIC EDUCATION

Enhancement Requested	$1,000,000
External Funds To Be Raised	450,000
Total	$1,450,000

The Center will establish a major new program of public education and outreach to make information and analysis about the region more accessible and understandable to decision-makers and opinion-leaders, and to improve the general public's level of understanding about the region. In the United States, this program will be an important step in meeting the national task of increasing our capacity to deal with Asia and the Pacific. The new program will use both Center and "outside" expertise.

1. Seminars, Conferences, Briefings

Appropriated Funds: $325,000

Most of the Center's conferences and seminars have focused on specialized or technical subjects. In intensifying its public education work, the Center will conduct seminars both in Hawaii and on the US mainland, and later in Asia, for broader audiences. Special emphasis will be given to members of Congress and other government leaders from the United States and their counterparts from the region, business executives and other opinion leaders. These conferences will also produce follow-up reports that will be distributed not only to the participants but also to the media and other interested sectors.

Seminars in US mainland cities will bring visiting participants from the region directly to local American audiences. There will also be opportunities for vigorous personal exchanges of views about the major issues of the region and their impact on the United States. Where appropriate, these seminars will include artistic exhibitions and feature films from Asia.

A summer institute will be initiated for mid-level executives from the United States and Asia and the Pacific. The emphasis will be on history, culture and contemporary issues with an interdisciplinary approach, providing essential background information that complements the "how to do business in Asia" courses offered elsewhere.

A summer student exchange program will bring approximately 100 undergraduate students from each of the 50 states and a selection of their counterparts from the region to the Center for 4-6 weeks of credited courses on Asia and the Pacific.

2. Consortium for Teaching Asia and the Pacific in the Schools (CTAPS)

Appropriated Funds: $275,000

The primary purpose of the CTAPS project is to substantially increase the knowledge of students in grades K-12 about Asia and the Pacific. The key strategy is the development of leadership teams in public school districts and private schools who will provide training for teachers in their own locales. These leadership teams will develop model programs and provide support for teachers as they take Asia/Pacific materials into their classrooms.

CTAPS began as a pilot project carried out primarily in Hawaii. Members of leadership teams receive a minimum of 200 contact hours of instruction in Asia/Pacific content. During their two years in the program, the teams are required to work with the CTAPS staff in the development of at least one awareness workshop and one skill building workshop for the educators within their school complex. Teaching materials also are developed and integrated into the overall curriculum. Some members of the teams will participate in curriculum study tours to Asia.

The plan is to expand the CTAPS program to the US mainland as rapidly as possible. The enhancement funding will enable CTAPS to be refined and disseminated widely on the US mainland.

3. Asia/America News Study

Appropriated Funds: $100,000

News reports in Japanese and American newspapers will be analyzed to clarify controversial and inflammatory presentations with the aim of easing or averting disputes between the two countries. The Japan/United States news flow was selected for the first research study because reasoned and equitable management of relationships between the two countries is a top priority. The study will focus on daily monitoring and analysis of Japanese and American news reports on controversial matters such as trade and investment disputes over a selected time period. The research results will be published in both countries. This study would also provide a forum for rational discussion of genuine grievances.

Philippines/American news flow studies are planned for 1991-1992 when nationalistic fervor and anti-American feelings can be expected to flare over the issue of renewing US military base rights. Future studies will include a Korea/American news study to address problems aggravated by political democratization tensions, and a China/American news study as the 1997 date draws near for the return of Hong Kong to China.

4. Publications

Appropriated Funds: $300,000

The Center's value as a source of accurate information and clear analysis of Asia and the Pacific and the region's relationship with the United States can be used far more effectively by designing and distributing publications for wider audiences than those we are now reaching. The annual Asia/Pacific Report, which in FY 1989 contains a highly useful analysis of China written by some of the nation's leading China scholars, will focus on other countries and critical issues in the region and will be distributed to schools, Congress and legislatures, government offices, businesses and a variety of other interested sectors. The Center also intends to employ its own expertise and that of other Asia/Pacific specialists in publishing and disseminating pamphlets, booklets and other briefing materials for use by decision-makers and opinion leaders. In addition, the Center plans to develop survey-type textbooks and curricula for undergraduate studies covering Asia/Pacific history, culture, economic and political development, and critical issues so that universities and colleges can offer one- or two-semester courses similar to those now offered on Europe and the United States. Also, the Center plans to publish a series of books about issues in Asia of interest to the general reader, covering subjects such as labor-management relations in various countries, consumer spending patterns, or TV viewing habits.

V. CULTURAL CHANGE

Enhancement Requested	$ 700,000
External Funds To Be Raised	450,000
Total	$1,150,000

The cultural diversity of Asia is both exciting and confusing. Intuitively, one knows that cultural factors--values, beliefs, practices, and institutions--must strongly affect a person's or a society's way of doing things. But it is much more difficult to directly relate cultural attitudes and differences to many political and economic actions.

In the 1990s, the Center will strive to make these direct linkages between cultural factors and social change and economic development. Culture will not be looked at as a separate subject, but instead will be an integrating factor emphasized in all aspects of our work.

1. Families and Social Change

Appropriated Funds: $200,000

A crucial factor affecting all developments in the region is the vastly changing role of the family and the concomitant strains on social institutions and traditional culture. At one end of the age spectrum, families are less able to retain control over the younger generation and schools are increasingly responsible for children's socializaton. At the other end of the spectrum, populations in the region are aging rapidly, and the extent to which the family can continue to support the aged is not clear. Increased female labor force participation places the traditional caretakers of the very young and the frail elderly outside the home. Migration and urbanization physically separate families, and also change economic relationships within the family. The divorce rate is rising and so is intergenerational conflict.

This study will produce a better understanding of just what role the family plays in changing Asian societies, and how the new role affects government policies and economic institutions. This new information and analysis will be highly useful to policymakers and planners in the region itself, as well as to government and business people in the United States who are considering issues of trade, investment or social development. The research will also serve as an opportunity and conduit for stimulating international cooperation.

2. Economic Institutions

Appropriated Funds: $200,000

Economic institutions, such as business firms, households, and labor unions, form the backbone of a country's economy. This project will analyze the development of institutions, their role in the economy, and the implications for public and private policymakers and planners in the United States and the region. The research will begin with two elements of the economy that have been particularly important: labor force and savings.

Workers in the Asian NIEs generally are fairly well educated, work long hours and are highly productive. Labor strife, until recently, has been much less a problem there than elsewhere. As a result of declining population growth, many Asian countries are now facing increasing labor shortages and rising wages. At the same time, higher income is increasing the demand for leisure time and reduced work hours. One response to labor shortages, especially in Japan, has been to export jobs. Another has been to hire increasing numbers of women, thereby initiating in Asia some fundamental changes in the role of women.

Countries in East and Southeast Asia have very high savings rates, which have contributed to capital accumulation and supported the financing of their rapid industrialization. High rates of saving may decline as social security programs broaden and as leisure increases. The Center's new studies will examine the major determinants of high saving rates, including cultural, demographic, and economic factors. The research will also assess the likely effects on saving of evolving institutional changes such as the system of financial support for the elderly.

3. Comparative Analysis of Develoment Policies

Appropriated Funds: $300,000

The Center will institute intensive research to better understand which development policies have been effective in selected NIEs and why particular policies have succeeded or failed. The analysis will consider cultural and institutional factors as well as purely economic considerations. The insights gained from these comparative studies will provide important new information to US leaders in developing policy adjustments toward Asia. They will also benefit less developed countries in Asia as they examine the experience of others and formulate their own economic, social and political development policies.

NIEs such as the Republic of Korea and Taiwan can learn from developed countries such as Japan, while developing countries like Thailand can learn from the NIE's experiences. The lessons derived from this historical and comparative study will be especially useful for countries such as China and India that are just beginning to move away from centralized planning.

The studies will begin with Japan, Korea, China and Thailand. The Center has already undertaken a study of Korea's economic policies over the past two decades, and has done extensive work in comparing the Japanese and Korean modernization experiences. Center staff members have a broad knowledge of both the cultural and the economic dimensions of the development process. They have established cooperative networks with the foreign scholars and government officials who will participate in this project, and also have obtained access to the necessary data.

The data gathered by these studies will provide US policymakers and private industry with a much clearer picture of development patterns in the region. This will help facilitate both planning and communication in the future.

VI. ADMINISTRATION

Enhancement Requested	$1,000,000

The expansion of existing programs and development of new projects will require commensurate increases in logistics, such as the data processing and phone systems, renovations to increase office space and to provide additional housing for participants, and increases in fiscal and other support staff.

INTERNATIONAL TRADE

Senator RUDMAN. I have just been waiting until the very end here to see if the chairman would ask a trade question, because all of our hearings here tend to be trade hearings.

Senator HOLLINGS. I just resisted the temptation.

Senator RUDMAN. I don't understand why, because the Director gave you an opportunity and since you didn't ask the question, I am going to. In your statement you say that one of your priorities is—"to ease misunderstandings over trade issues through the initiative of editorial liaisons with East Asian"—I assume Japan, in particular—"and European journalists."

I expect what you mean is you are going to try to explain what the United States believes in terms of reciprocal trade opportunities, level playing fields, lack of, to use a horrible word, structural impediments, et cetera, et cetera.

Would you tell us about your work in this area or could someone in your group tell us what you are doing to try to get that message across that Americans are getting kind of fed up with some of this and that this is an issue which really ought not to come to a head and we ought to try to get some of these cultural differences understood?

What are you doing in this area?

Mr. GELB. I think one of the things that we do is use Voice of America editorials to explain the importance, for example, of making sure those barriers don't get up, that temptations for protectionism are not exercised in any way; and that the doors are kept open. We explain the benefits to the people of a country like Japan, where they are paying unbelievably high prices for things that, in this country, come at a very low cost.

We are trying to get that message across to them. We do it perhaps——

Senator RUDMAN. Do you broadcast editorials?

Mr. GELB. We broadcast editorials.

Senator RUDMAN. Could you furnish the committee with copies of several of those editorials that relate to the trade issue? I think that we would like to see them. Wouldn't you like to see those, Mr. Chairman?

Senator HOLLINGS. Go ahead. That will be a good saving. We can cut that out. [Laughter.]

Dr. Li, I can give you that cultural study: Money talks.

Senator RUDMAN. That is the end of my questions, Mr. Chairman. [Laughter.]

Senator HOLLINGS. The Japanese, the Indonesians and all the people of the world understand money talks. Capitalism is on the march in Europe, and you don't have to worry about the cultural differences. We just brought in Hitachi to South Carolina just 3 weeks ago. A few weeks before that, we broke ground for the most sophisticated automated automotive electronic engineering systems in the world, Nissan and Bosche of West Germany.

Senator RUDMAN. They are in South Carolina.

Senator HOLLINGS. Yes; and there aren't any cultural differences. They love our redneck foolishness in South Carolina. [Laughter.]

They said we were the most, productive of 22 countries they had run into because we put technical training, and didn't spend all their time telling them, really, about trade unionism. If I were doing it as king for a day, I would send over technical training. I asked the Ambassador from Turkey, I said, "Your people are going to be run out of Germany now and all the way back down to Turkey. What are you going to do down there?"

He said, "Oh, no. We have skills and they don't. The East Germans are not skilled in the sophisticated technology and machinery of West Germany."

That is really what you want to do, but I don't want to pay for my competition. Maybe, if you can start with that union, get some strikes over there and everything like that, that would give me catchup time in America so I can do it. [Laughter.]

But money talks. We started the country on protectionism. The first bill on July 4, 1789 was a tariff bill because we weren't going to remain the United Kingdom's colony. We had that free trade malarky, about how we could ship back to merry old England what we produced, and they would ship back to us and there would be no tariffs, no barriers.

Alexander Hamilton said, "Bug off. We are not going to be your colony."

He, Madison and Jefferson put in the first bill, it passed the Congress, and we started it with protectionism. It is a wonderful competitive market force. The market forces operate where you don't go and plead. The crybaby policy of American today is, "Look, we saved you with the Marshall Plan; we sent over our technology; and we have been defending you; so why don't you be nice to us?"

That is hooey. It doesn't sail, and it shouldn't sail. They don't owe us; we don't owe them. When we make it on the economic interests, you won't have to worry about cultural differences and different snow for skis and all that other kind of stuff.

Dr. LI. May I make a comment?

Senator HOLLINGS. Yes, sir; I have been all over that area.

Dr. LI. There is no doubt, money talks.

Senator HOLLINGS. And it does. And they know how to make it talk.

Dr. LI. We also need the capacity to make it talk. Our market is much more open than the Japanese.

Senator HOLLINGS. Oh, yes. That was a good cry from Britain to us when we were starting up 200 years ago. We had all the industry and they had none, and we were looking for markets.

You couldn't pass a Marshall Plan to save your soul today in America. For what, for East Europe? We ought to. It is a wonderful opportunity, but you can't get that passed now, because we are behind the curve.

But there is no use to get into this and educate me about that, because I have been working at it for 40 years. I traveled the whole area numerous times and market forces do operate. We were trying to develop markets for our production. We could give on this free trade and say, "Look, let's keep up."

It is just like world peace. Washington said the way to preserve the peace is to prepare for war. The way to open up and get the free market is to compete in it and get reciprocity. I can tell you that right now. Unless and until you do that and cut out the crybaby conferences, you are not going to move.

If I ran Japan as king in the next 10 minutes, I would do exactly what Japan is doing. I am not bashing them. That would be stupid. They are supposed to look out for Japan. I am supposed to look out for the dear, old U.S.A.

Dr. LI. Yes, sir; but let me cite one figure. In 1987, under pressure from us, Japan increased imports of manufactured goods by 22 percent. European sales went up; their manufactured goods went up 27 percent. Ours went up 0.12 percent.

Part of that is because the Japanese have 10,000 Japanese businessmen in the United States who speak English. We have got 200 in Japan who speak English. We don't know how to get into the market so that money can talk.

Senator HOLLINGS. We have had 3,000 Motorola employees over there for 20 years, and we still have no percent hardly of their business. We have got a little bit. We have 3,000 Japanese-speaking Americans working for Motorola.

I can give you example after example. They don't let you in. Chrysler just told the story on national TV two weekends ago. The same effort they made had sold 50,000 cars in Europe, zero in Japan. It isn't the language; it is money talks. Don't you worry about it.

Senator RUDMAN. Mr. Chairman, I mentioned the magic word. The hearing record, I think, is now complete. [Laughter.]

Senator HOLLINGS. I have heard these debates and cultural differences. Money talks, Mr. Gelb.

Mr. GELB. I wonder if I might just add 2 cents to the discussion.

Senator HOLLINGS. Yes, sir.

ECONOMIC IMPORTANCE OF SEVILLE EXPOSITION

Mr. GELB. No. 1: I, being an exbusinessman, Mr. Chairman, identify very closely with your competitive spirit. I might mention that the company that I used to work for had the leading position in Japan in the health care field, because we worked real hard for it, started from scratch and built up that kind of position.

It is possible; it is do-able. There is no question, also, that the Japanese do, through their distribution techniques, make it very difficult for American companies to find their way.

But the important thing that you are talking about is an issue for our Agency that goes beyond the democracy building programs that I talked about earlier. It is the vision of where we are going to be in battle as a country over the next 20 years. With freedom breaking out, the world has not experienced a general euphoria. What it has done is to create the setting for the most massive economic competition that this world has ever seen.

Senator HOLLINGS. From the cold war to the trade war.

Mr. GELB. And there are three giant players in that: One is Japan; the other is the United States; and the third is Germany, getting bigger all the time. Japan has one advantage over the United States, in my opinion, and that is that their government and their business and their workers work together for the greater good of Japan.

I believe there is a way to demonstrate that here. You might think I have an ax to grind when I slide into this next subject. One of the things the U.S. Government and business working together is to take advantage of an opportunity that is coming up in 1992, one that is controversial, one that Senator Rudman talked about. It is called Seville. It is not a dance; it is not a lot of hot air and entertainment. This type of exposition happens really rarely. We have only had about three of them in the last 20 years, I believe, the last one was in 1970 in Japan.

It is an international exposition where the governments of this world get together to show how important they are in the world of economics and trade, and today, 102 countries are going to be represented in Seville. I don't think you or anyone in this country who cares about competition wants to be identified with the countries that are not in there, North Korea, Libya, and Albania.

I don't believe that for a minute you are any less competitive than any of the other countries. Every individual business wants to appear in Seville, and they could do it on their own, but you know it would cost each one of them, each independent business, $3 million if they want to appear in that fair.

If the Government goes in, each one of those businesses that participate with us has the backing and support of the Government and they don't pay a $3 million fee.

Is it more or less competitive to make businesses spend $3 million each with Spaniards in order to compete in Spain? I think it is safe to say that the best thing we could do for American businesses is give them the backing and support of the United States Government at a price that is a fraction of what the Japanese, the Germans, or the Swiss are willing to spend.

I think it is a good investment, and I urge you to keep that good, competitive mind of yours open.

Senator HOLLINGS. I could put $7 million in downtown Prague and do a lot more with it, and you and I both know that.

ADDITIONAL COMMITTEE QUESTIONS

There will be some additional questions which we will submit for your response in the record.

Mr. GELB. Thank you, Mr. Chairman. We will be glad to respond.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

President Havel's Address

QUESTION:

On February 21 the new President of Czechoslovakia, Vaclav Havel, made a powerful address to a joint session of the Congress. He said:

> "I often hear the question: How can the United States of America help us today? My reply is as paradoxical as the whole of my life has been: You can help us most of all if you help the Soviet Union on its irreversible but immensely complicated road to democracy."

Mr. Gelb, do you think that is good advice?

ANSWER:

Yes, I do. In political, economic and strategic terms, the Soviet Union remains the dominant influence in Eastern Europe. Helping the Soviet Union achieve political and economic change adds to the already powerful impetus for it that we have seen in the countries of Eastern Europe. President Bush has consistently supported President Gorbachev in his efforts to promote a more open, more democratic Soviet Union through political, economic and legal reform of Soviet society and institutions. I certainly agree with these goals. USIA, within the areas of its responsibility, has worked to communicate U.S. policies to foreign audiences and to develop programs supporting U.S. policy objectives.

USIA Support of Democratization in Soviet Union and Eastern Europe

QUESTION:

How does USIA's budget for 1991 help the Soviet Union, and the East European nations, to travel down the road to democracy?

ANSWER:

The greater access and receptivity to our programs in these countries has generated a dramatic increase in exchange activities, press support requirements, and an unquenchable thirst for information about the U.S. In addition, the vastly increased number of official and unofficial visitors to these posts has generated unprecedented requests for support from our officers and their staffs.

USIA plans to concentrate much of its Eastern European programming on helping these nations build and strengthen democratic institutions--free elections, a free press, market-based economies. We are bolstering our understaffed posts in the area and laying the groundwork for opening new facilities. We already have added American and foreign national positions in Prague, Budapest, Sofia, Warsaw, and Moscow and plan to augment staff in these and the other countries of Eastern Europe in the coming years. We plan to open a Cultural Center in Warsaw this year. In Czechoslovakia, we plan to open a Branch Post in Bratislava and a Cultural Center in Prague. In the USSR, we are negotiating for the opening of an American Cultural Center in Moscow.

In the area of academic exchanges, the FY 91 budget will enable the Agency to meet the levels of its academic exchange commitments as stipulated in the intergovernmental agreements between the U.S. and countries in the region. The Fulbright Academic Exchange Program annually sends American professors to lecture on American literature and history, as well as American political institutions. U.S. professors also teach the English language, using a variety of teaching materials (videotapes, periodicals, newspapers) that help give foreign students a lively and accurate view of our country. American business management specialists, especially in the area of entrepreneurship and small business development, are increasingly becoming an important component of our programs. From the foreign perspective, the effect is, perhaps, even greater. For example, we are contributing to the development of a truly free press by bringing journalists to the U.S. for study. U.S. law and history are also becoming areas of particular interest as countries in the region strive to develop what is popularly known as a "civil society." Finally, by fostering the creation of binational Fulbright commissions and exchange offices in the region, we are promoting an open, publicly advertised competition for awards, the establishment of an academic peer review system, and the creation of public institutions with credibility in the eyes of the local academic communities. In short, instead of merely teaching about democracy, we are involving citizens from the region in the activities and operation of functioning, democratically organized structures.

Under the Samantha Smith Memorial Exchange Program the Agency will award grants for youth exchange with the Soviet Union and the countries of Eastern Europe. Under these grants an American organization conducts the exchange in collaboration with a Soviet or East European partner organization. For example, we support summer enrichment programs for the exchange of outstanding high school students in science and mathematics, such as the one we awarded to the

American Association of Physics Teachers in partnership with the Soviet Academy of Sciences.

Through grants to the American Council of Teachers of Russian we support programs for American students studying the Russian language, as well as the Czech, Slovak, and the Hungarian languages. In return Soviet, Hungarian and Czech students come to the United States to improve their English language skills and enroll in American studies programs. There is also great variety in the types of projects, all designed to broaden the knowledge and understanding of youth from the participating countries. They range from an active summer camp program that sends American teens to the Soviet Union and bring Soviet teenagers to the United States to grants for projects related to the arts, the environment, and the development of sister cities linkages.

The International Visitor Program directly addresses issues of democratization in Eastern Europe and the Soviet Union. Specifically, new and emerging groups of leaders in Eastern Europe and the Soviet Union are involved in projects on local and state government, on trade and economic issues in a free-market society, on education in the U.S., on the American political system, on the American legal system, on journalism and the free press, and on American culture and pluralism.

USIA Programming in Soviet Union and Eastern Europe

QUESTION:

A new cultural center in Warsaw, an additional office in Budapest, and distributing 20,000 more copies of "America Illustrated" in the USSR will be helpful, but what should we really be doing in the Soviet Union and East Europe?

ANSWER:

USIA's activities in the Soviet Union and Eastern Europe can contribute importantly to achieving the goals of economic reform, democratic change and East-West reconciliation. Our work should concentrate on strengthening democratic institutions and cementing America's intellectual, professional and cultural ties with those nations. It should focus on helping develop the institutions of a political system governed by law and popular consent; emphasize the effectiveness of a market economy; promote the indispensable role of a professional, independent mass media in a democratic society; stress respect for political, economic, artistic and religious freedom of expression; and expand scholarly, professional and people-to-people ties with our country.

USIA programs should introduce Soviet and Eastern European opinion leaders directly to the American democratic system, creating a network of personal ties to the United States in the process. There should be a wide range of scholarly, student and youth exchanges, reinforced with educational programs via radio and television, to build the intellectual foundation for democracy. We should work with our private sector on programs to strengthen the free institutions of business management, journalism, radio and TV broadcasting, law and democratic politics.

Post Requests for Additional Resources

QUESTION:

What have the posts requested to cope with changes in Eastern Europe, such as additional staff, funds, facilities or other resources? Has USIA approved any of the requests and where? To what extent are these resource requirements reflected in your budget submission?

ANSWER:

Several posts have requested additional staff to deal with the new climate of openness in the Soviet Union and Eastern Europe. Since 1988 the Agency has taken action to bolster our staffs there. The following post requests have been approved:

-- Bulgaria - One foreign national position which is in place.

-- Czechoslovakia - A Cultural Affairs Officer and three foreign national employees for Prague, plus one American Officer and four foreign service national employees to staff a new Branch Post in Bratislava. The additional American Officer and three FSN positions for Prague are in place. The proposed Cultural Center in Prague, with a projected opening in 1991, will require additional positions. The number of positions has not been determined at this time. We expect that an American officer (Cultural Center Director) and three or four foreign national employees will be needed.

-- GDR - One American Officer and two foreign national employees. We are concluding negotiations with the Department of State for the administrative support needed for these positions.

-- Hungary -- Three American Officers and three foreign national employees. Two of the three American Officers are at Post. One is a Cultural Affairs Officer; the other a Regional English Teaching Officer. One of the three foreign national slots is in place.

-- Poland - One American and three foreign national employees to staff the new Cultural Center, which we hope to open in FY 1990. An additional foreign national employee, already in place, is to work on exchange programs.

-- Romania - One foreign national employee.

-- Soviet Union - One Assistant Cultural Affairs Officer (Exchanges), one Assistant Information Officer and an American contract Program Assistant. These positions are in place now.

In addition to these approved positions, the Agency is assessing the following near and long-term post requests for new staff and a proposed Branch Post opening:

-- Bulgaria - One American Officer and three foreign national employees.

-- Soviet Union - For Moscow, the Post has proposed the addition of a Deputy Public Affairs Officer, an Assistant Cultural Affairs Officer (English Teaching), an Assistant Information Officer (Press Attache) and an American Secretary. An American Secretary has been requested for Leningrad. In addition, if we are successful in negotiating an agreement for the opening of an American Cultural Center in Moscow, the Post will require a Center Director and three American contract personnel It should be noted that any USIS staff increase would require re-negotiation of Soviet-American diplomatic personnel ceiling levels.

If the State Department moves to open a Post in Kiev in the next year, we will consider establishing a Branch Post.

-- Poland - Two additional American officers and three foreign national employees.

-- Romania - One additional American officer.

-- Hungary - One additional American officer and five foreign national employees.

-- GDR - One American officer and two foreign national employees.

The fast pace of events could affect our programs in East Germany. USIA may face the need to integrate the posts in the FRG and the GDR into a single country program. In addition to the need for program funds, this could involve substantial costs for moving and re-restablishing facilities, as well as for added overhead costs in Berlin.

Because of the rapid development of change in Eastern Europe, proposed staff augmentations and branch post and center openings were not included in the 1991 Congressional Budget Submission. We expect that requests for additional program funds from the posts will be forthcoming once new and expanded infrastructures are in place.

Seville/Genoa Plans

QUESTION:

The Subcommittee has received a letter dated March 8th from Representative Frank Annunzio and 15 others, including Senator Dennis Deconcini, urging that funds be made available for United States participation in the 1991 Exposition at Seville and Genoa. The letter will be printed in the record.

[The letter follows:]

March 8, 1990

Honorable Ernest F. Hollings
Chairman
Subcommittee on Commerce, Justice,
  State, and Judiciary
Senate Committee on Appropriations
Room 125, Russell Building
Washington, D.C. 20510

Dear Mr. Chairman:

We are writing to you in order to request your assistance and cooperation in helping to provide the Federal funds necessary for United States' participation in the 1992 expositions in Seville and Genoa commemorating the 500th anniversary of Columbus' voyage to the New World.

Unless Congress allocates the Federal funds necessary for these projects, we are in danger of forfeiting $10 million in cash and in-kind contributions already pledged from the private sector, because participation agreements with states and corporations are not likely to be signed without Federal funding.

At least $14.5 million in Federal funds are needed. The United States Information Agency is seeking to reprogram $2.9 million from existing 1990 USIA funds, and to make up the balance, $7 million will have to be reallocated within the 1991 appropriations and $4.6 million will have to be reallocated within the 1992 appropriations. Furthermore, this funding must be approved before April 1, 1990 in order to meet construction deadlines and encourage further private sector support.

Your assistance and cooperation are urgently needed in order to meet this deadline and permit the United States to demonstrate its international competitiveness in 1992, the year of economic integration of the European

Community, as well as the 500th anniversary of Christopher Columbus' discovery of America.

Sincerely,

Frank Annunzio
Frank Annunzio

Dante B. Fascell
Dante B. Fascell

Marty Russo

Vic Fazio

Joe Moakley
Joseph Moakley

Leon Panetta

Matthew Rinaldo

James A. Traficant, Jr.

Dennis DeConcini
Senator Dennis De Concini

Douglas Bosco

Robert Torricelli

Frank Pallone, Jr.
Frank Pallone, Jr.

Thomas M. Foglietta
Thomas Foglietta

Connie Morella
Constance Morella

Bruce Vento
Bruce Vento

Frank Guarini
Frank Guarini

We also have received a reprogramming notification from USIA of their intention to make $2.9 million available for initial start-up costs of the U. S. pavilion. For 1991 the Administration requests $7 million that is to be followed by $4.6 million more in 1992, for a total Federal contribution of $14.5 million. Private sources are to contribute $20.4 million for a total cost of $34.9 million.

[The letter follows:]

March 9, 1990

The Honorable Ernest F. Hollings
Chairman
Subcommittee on Commerce, Justice, State,
  the Judiciary and Related Agencies
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

The United States Information Agency wishes to report on a reprogramming action within the Salaries and Expenses account for fiscal year 1990. This action is proposed to facilitate U.S. participation in the 1992 international observances in Seville and Genoa of the 500th anniversary of the voyage of Columbus. These events are critical elements of U.S. efforts to remain competitive in the European market that will be integrated in 1992, and to show our close ties with that changing continent. A total of $2.9 million is required in 1990, with $1.6 million from other exhibits planned within the 1990 appropriation and $1.3 million from exhibit balances.

In addition, we wish to report on an organizational change in the Agency's Television and Film Service.

Finally, we wish to inform you that we are completing a proposed outlay-neutral supplemental request to transfer funds from the Radio Construction appropriation to the Salaries and Expenses appropriation for fiscal year 1990. These funds are required to limit the damage to the Voice of America's broadcast schedule. The VOA and all other parts of the Agency were required to effect staff and program reductions of over $28 million from current service levels to accommodate the 1990 appropriation.

Details of the above changes are contained in the attached explanation. Shortly, we will forward a reprogramming letter addressing other actions.

We appreciate your consideration of these proposals.

Very sincerely,

Bruce S. Gelb
Director

DESCRIPTION/JUSTIFICATION

U.S. Participation in the Seville/Genoa Quincentennial Expositions

In 1992, Spain and Italy will host expositions commemorating the 500th anniversary of the voyage of Columbus. Possibly more important is the fact that 1992 marks the first year of full economic integration of the European community.

Thus, these events are not a frivolous undertaking -- they are a deadly serious competition for a giant market.

U.S. participation in both expositions, for which USIA is responsible, will focus on the promotion of trade and tourism. Several states, cities, universities and major American corporations have expressed interest in participation in the U.S. national section of the expositions.

It is the firm view of this Administration that, for real and symbolic reasons, it is crucial for the United States to participate in these expositions. We must affirm our close connection to Europe as that continent undergoes historic changes to democracy and a market economy in the East and to economic integration in the West. The year 1992 is the target date for economic integration of the European Community. Over one hundred countries, including all of the EC nations, will participate in Expo 92. U.S. absence from such an event would be a signal of diminished leadership and involvement in European affairs. Some of our major trading partners and competitors have already seen the opportunities presented by Expo participation.

Additionally, participation at the Seville Fair is important to our position of leadership among the nations of the Western Hemisphere. All of the major countries of the Americas, including Cuba and Nicaragua, will be present at Seville. If we are to affirm our common historical heritage with our American neighbors, it is clear that we should participate in Expo 92.

Private U.S. corporations and states are anxious to join the U.S. participation effort, but they are awaiting a demonstration of U.S. governmental commitment. With the passage of time, we are falling further behind in a tight preparation schedule.

We now estimate that design and development costs will require $3.0 million and that construction, fabrication and operation costs for both projects will total $31.9 million. Of the total amount needed for participation, we anticipate that about $14,500,000 will be met by the Federal government and that the remainder of $20.4 million, or over 58 percent, will be covered by contributions from non-federal sources.

In 1990, initial start-up costs (exhibit and architectural and engineering design contracts for the U.S. pavilion and personnel salaries) are estimated at $2.93 million. The Agency plans to cover these costs by applying balances of prior-year appropriations of $1,067,259, the remaining balances of $248,463 in the Agency's trust fund account for the Tsukuba Expo, and new 1990 appropriated funds of $1,613,375. These latter funds will be reprogrammed from within the Programs Bureau from funds that were initially planned for research and development of the third exhibition in the US/USSR cultural exchange exhibit program.

A total of $7,000,000, including a reallocation of resources from other programs, is requested for these expositions in 1991. This sum will provide for further architectural and engineering design costs, salaries, travel, and construction of the pavilion structure (construction costs will be recouped from the state and corporate users of the pavilion and, together with an estimated $4.6 million in 1992, will be allocated to operating costs).

Organizational Changes in the Television and Film Service

The Agency currently plans to allocate $31.5 million to the Television and Film Service in 1990, a reduction of over 15 percent. In part to accommodate this reduction, the Television Service plans to streamline its operations by reorganizing. This will also consolidate programming decisions within a single department and increase the Service's responsiveness to field needs. The reorganization will reduce the number of supervisory positions in TV from 73 to 67. Six positions would be abolished.

The proposed organizational changes include:

--the elimination of the Office of Management and Program Services;

--the realignment of the Division of Management Services as TV's Executive Office;

--the renaming and reconfiguration of the Office of Planning and Program Coordination as the Office of Policy and Program Coordination to accommodate the transfer of the duties and functions of the Division of Program Services; and,

--the combining of the Documentary Division, the Special Events and Foreign Broadcast Support Division, and the Special Projects and Broadcast Operations Division into the Staff Productions Division.

--In addition, the name of the Interactive Programming Division would be changed to the Interactive Division.

Transfer of Funds Between the Radio Construction and Salaries and Expenses Appropriations

Finally, we wish to inform you that we are developing an outlay-neutral supplemental request to transfer funds totalling $1.4 million from the Radio Construction appropriation to the Salaries and Expenses appropriation for fiscal year 1990. In order to accommodate reductions in 1990 and the restrictive budget outlook in 1991 in the Salaries and Expenses account, we had initially formulated a 1990 program plan that included a significant reduction in the operating resources of the Voice of America. (Other elements operating in Washington were reduced by a greater percentage than the VOA; our overseas post operations were reduced by a lesser percentage.) The need to accommodate the 1990 Federal pay raise and unfavorable exchange rate changes makes it necessary to seek the transfer of some $1.4 million from the Radio Construction account to avoid further serious damage to VOA operations in 1990.

Accordingly, we are now developing a proposal to transfer funds from the Radio Construction appropriation. Given the program demands on the Agency, particularly in Eastern Europe, four years of reductions in USIA's operating budget, and the separation of Agency resources into seven specialized accounts, we believe this to be the only viable choice at present.

We are also developing an amendment for 1991 to forestall further deterioration of VOA broadcast services. We are trying to minimize the impact of such a shift on a carefully prepared and streamlined construction program.

Mr. Gelb, You have been wanting to see me on this, so let me be fair and let you describe just what is planned for Seville and Genoa and why you think the U.S. should participate.

ANSWER:

It is in the U.S. self-interest to participate in the quincentennial expositions in Seville and Genoa. As we approach the 21st century, events in Europe in 1992 will be instrumental in shaping America's trade policies and testing our ability to compete in world markets in the year 2000 and beyond. It is therefore imperative that the United States join the nations of the world in Seville and Genoa in 1992.

These expositions provide unparalleled opportunities to promote trade, tourism and investment to the 320 million-person consumer market created by the economic integration of the European Community in 1992.

U.S. absence, when more than 100 nations participate in Seville and over 35 in Genoa, could give credence to a perception of America's loss of its transatlantic leadership role.

Non-participation in an event that commemorates the 500th anniversary of the exploration of the "new world" will send a negative message to the Western Hemisphere and create the impression of declining U.S. interest and influence in this region as well.

The Universal World's Fair in Seville is the first of its kind in 22 years, and the first in Europe since Brussels in 1958. Unlike recent smaller scale fairs at Vancouver and Brisbane, participants at universal expositions must design and build their own buildings. The theme of the 50,000 square foot U.S. Pavilion will be "Re-Discover the USA." 8-9 million visitors will be invited to rediscover America as they explore its society, culture, heritage and competitive spirit.

Our pavilion will include a centerpiece 1000-seat theater; corporate, state and municipal exhibit halls; NASA exhibit; performing arts stage; teleconference center; VIP reception lounge; restaurant and gift shop.

The U.S. presence at the concurrent Genoa specialized exposition, "Christopher Columbus: The Ship and the Sea", will feature a 5,000 square foot national exhibit; state and corporate exhibits; and an outreach program (lectures, seminars and a film festival).

USSR Exhibit Program

QUESTION:

The reprogramming indicates that $1.6 million will come from cancelling an exhibit in Russia. Isn't that what we should be expanding instead of cutting back?

ANSWER:

To meet the challenges posed by the economic integration of the European Community, the United States should be promoting trade and tourism at the Seville and Genoa Expos. To meet the political challenges posed by liberalization in the Soviet Union, the United States should be promoting democratic values through its exhibits in the USSR.

The two programs are not mutually exclusive. Our public diplomacy goals require that we do both. Declining budgets, however, mandate that USIA pursue both programs at reduced levels.

We are proposing to delay for one year the development of the next exhibit in the Soviet Union to provide start-up funding for the 1992 Expos. The next USSR cultural exchange exhibit is not being cancelled. Since the new Program of Exchanges covers 1992-94, we can defer development of the exhibit until FY-91.

Our plan for FY-91 and subsequent budget requests will reflect a scaled-down approach to programming in the USSR. Recognizing that our resources are diminishing, the next Soviet Exhibit is budgeted at half the amount of its predecessor and will be a third the size. Likewise, our plans for Seville are half the size and a quarter of the budget (in constant dollars) of previous U.S. participation in universal expositions.

A reduced budget for the USSR program does not necessarily mean reduced impact. We feel that we can develop an innovative multi-media program that will communicate important messages to the Soviet people about how to live in a democratic society. We think this approach will enable us to reach more people with greater effectiveness, incorporate more opportunities for private-sector funding than were ever before possible, and cost the Agency less than the traditional USSR cultural exchange exhibitions.

Vancouver Expo

QUESTION:

What was the attendance at the U.S. Pavilion in Vancouver compared to the attendance at other major nations' pavilions? At Vancouver, the U.S. Pavilion was not a great attraction; what makes you think we will do any better at Seville?

ANSWER:

The U.S. Pavilion at the 1986 Vancouver Expo operated at 98 percent of its daily 14,000 visitor capacity for a total of 2.5 million visits over six months of operation. California, Oregon and Washington, which were part of the U.S. section, brought total U.S. attendance to 10 million. Canada, the host country, with a pavilion 8 times the size of the U.S. and a budget of $37 million, compared to the U.S. budget of $6.5 million, had a total attendance of a little over 5 million. However, attendance figures attest to neither a pavilion's quality nor its popularity. For example, the most popular pavilion at Expo 86--the General Motors Pavilion--had a capacity of only 750 visitors per hour. On the other hand, large, free-flow pavilions may accommodate a large number of visitors, but may have less content to engage visitors' interest.

According to an opinion survey, the U.S. Pavilion received a favorable rating from 76 percent of the visitors, with 52 percent rating it good and another 24 percent saying it was excellent. This overall favorable rating was the highest received by any American pavilion at an international world's fair since USIA began conducting such surveys at Expo 67 in Montreal. This opinion was echoed by hundreds of special visitors, including heads of state, government officials, and leaders of business and industry who visited the U.S. Pavilion. Then Vice-President George Bush in a letter following his visit to the U.S. Pavilion wrote, "It was, without a doubt, the high point of my visit to Vancouver."

If the U.S. Pavilion at Seville is at least as good as it was in Vancouver, the United States will have a presence of which it can be proud. U.S. presence will show respect for our European allies and trading partners while at the same time asserting our competitive position in the emerging economic and political order of Europe.

Comparative Influence at Seville Expo

QUESTION:

What is the comparative influence we gain in spending $14.5 million on tourists in Seville for a good time versus spending a like amount on showing International Visitors the real America, or even expanding Educational Exchanges by that amount?

ANSWER:

In addition to its public presentations, the United States Pavilion at the Seville 1992 World's Fair will be similar to a USIS post, with cultural programming and press and information components. Just as the Voice of America has mass audience appeal, so a U.S.

Pavilion will bring in millions of visitors to see how states and municipalities and American corporations graphically display the values of the U.S. economic and political systems. More than eight million visitors will have a significant exposure to American life and culture. With the theme of "Rediscover the USA," the pavilion will serve as a catalyst to encourage tourists to come to America.

American performing artists on stage in the U.S. Pavilion will have mass appeal as well. As the first European world's fair since 1958, with more countries participating than ever before, Expo 92 will be a magnet for attracting worldwide media coverage.

Moreover, the U.S. Pavilion will develop programs aimed at key U.S. economic and political interests and other key audiences as well. The Pavilion's Teleconferencing Center, sponsored by U.S. Sprint, will host international two-way video conferences on such subjects as the environment, trade, resource management, the space program including the Hubble telescope, business interests, U.S. science and technology, agriculture, the U.S. educational system and the arts. The U.S. Pavilion will serve as a regional hub for the best of the American performing artists and groups. Through the pavilion and the Expo authority, there will be extensive broadcasting opportunities as well. USIS posts throughout Europe and North Africa may wish to develop programs for the American performers with local arts ministries and educational institutes.

Traditionally, major international participants are visited by heads of state, high level government officials and business leaders. At the U.S. Pavilion, VIPs will meet U.S. corporate leaders, state and municipal officials, and participants in the Pavilion's informational and cultural programs.

Non-Federal Fundraising

QUESTION:

How much has actually been raised from private sources?

ANSWER:

Following a 1988 White House and OMB directive to raise half the funding for the U.S. presence at Seville from non-federal sources, USIA has obtained letters of intent from Coca Cola, U.S. Sprint, the American Plywood Association, Kansas City, California, and South Carolina. These pledges represent $1 million in unrestricted cash, $3.6 million in rental income for space in the pavilion (at $200 per square foot) and at least $6 million in in-kind value of installed exhibitions by our participants. The current total, cash and in-kind, is $10.6 million.

Other interested states include Hawaii, Alaska, Illinois, New York, Texas and Florida. Corporate proposals are pending from AMC theaters, Hallmark, and Butler Buildings. However, it is not possible to sign participation contracts with any organization without federal government support. This has already had a negative impact. Anheuser-Busch was ready to sign a participation contract in November, 1989, representing a contribution of approximately $5 million. With continuing delays in Federal funding, the deal unravelled.

Privatization Possibilities

QUESTION:

Would not letting private enterprise pay the full cost be a solid demonstration of the Reagan/Bush commitment to getting the government out of things that the private sector can do?

ANSWER:

President Reagan instructed USIA to raise half the funding for Seville from the private sector. We are well along the way toward achieving that goal, and in fact may achieve as high as 58 percent non-Federal funding, which is unprecedented. But 100 percent support from the private sector is unachievable at this late stage of the effort.

In our experience corporations have not gotten involved out of patriotism but rather out of self interest. A pavilion funded entirely by a corporation would reflect only its corporate objectives. The public/private partnership for Seville will result in an exhibition which reflects our national accomplishments and goals while still demonstrating U.S. competitiveness. This same model is being pursued by several other major participants including the UK, France, Germany, and Japan.

100 percent corporate funding at Seville will only occur in separate corporate pavilions which require a $3 to $8 million license fee paid to the Expo authority. Some major international corporations have opted to go this route rather than participate under the auspices of international pavilions.

Value of property at Torrejon

QUESTION:

What is the value of the property and improvements that the Air Force had to vacate at Torrejon?

ANSWER:

The U. S. Information Agency has no knowledge of the value of this property. However, we have requested the Air Force to provide the information and will transmit it to the Committee upon receipt.

Seville/Genoa Staffing Costs

QUESTION:

How much of a bureaucracy will we have at Seville and Genoa? Please detail the administrative costs by fiscal year, including the positions by job title, salary, and the other costs for Seville and Genoa and Washington.

ANSWER:

Eight full time temporary positions have been identified for Genoa and 17 full time temporary positions for Seville. In comparison, the U.S. pavilion at Osaka Expo 70, the last universal world's fair, required a staff of 27 USIA officers and that staff had no fundraising responsibility. The Commissioners General of both projects are donating their time and the project directors are permanent Exhibit Service employees detailed to the projects.

While in Washington, the staffs must oversee the design and development of a pavilion and exhibits, raise over $20 million, initiate and oversee multimillion dollar government contracts, recruit and supervise American guides, and manage and account for large multi-year budgets with funds derived from several different sources. Once the expos open, the pavilions must be staffed 14-hours-a-day, 7-days-a-week. In addition to regular duties, the expo staffs serve as guide supervisors, protocol officers and duty officers. The staffs will be responsible for special events, press coverage, VIP visits, outreach programs, pavilion security and safety, and representational functions. Personnel will have to work shifts in order to accommodate the 14-hour daily schedule.

Staff costs by fiscal year follow.

Genoa Personnel

FY90 Salaries/Benefits

Commissioner General	$ --
Deputy Commissioner General	--
Project Director	--
Pavilion Director	25,532
Corporate Relations Officer	8,886
Development/Public Affairs Officer	13,956
Administrative Officer	--
Program Coordinator	14,515
Subtotal, FY 90	62,889

FY 91 Salaries and Benefits

Commissioner General	--
Deputy Commissioner General	--
Project Director	--
Pavilion Director	59,570
Corporate Relations Officer	38,293
Development/Public Affairs Officer	59,570
Administrative Officer	43,482
Program Coordinator	30,819
Subtotal, FY 91	231,734

FY 92 Salaries and Benefits

Commissioner General	--
Deputy Commissioner General	--
Project Director	--
Pavilion Director	64,055
Corporate Relations Officer	49,036
Development/Public Affairs Officer	64,055
Administrative Officer	49,036
Program Coordinator	33,687
Subtotal, FY 92	259,869
FY 93 Salaries and Benefits	35,804
Total, USIA Personnel, Genoa	590,296

Seville Personnel

FY 90 Salaries and Benefits

Commissioner General	$ --
Dep. Commissioner/Project Director	--
Pavilion Director	62,572
Construction Engineer	31,291
Exhibits Officer	19,430
Program Coordinator (Logistics)	30,348
Public Affairs Officer	68,098

Cultural Presentations Officer	44,532
Corporate Relations Officer	31,383
Program Coordinator (Fundraising)	30,348
Administrative Officer	60,018
Secretary	25,103
Clerk-Typist	20,267
Subtotal, FY 90	423,390

FY 91 Salaries and Benefits

Commissioner General	--
Dep. Commissioner, Project Director	--
Dep. Commissioner, Administration	126,526
Pavilion Director	68,542
Construction Engineer	68,542
Exhibits Officer	56,132
Program Coordinator (Logistics)	33,637
Public Affairs Officer	79,290
Cultural Presentations Officer	56,132
Corporate Relations Officer	66,202
Program Coordinator (Fundraising)	33,637
Administrative Officer	66,020
Personnel Officer	47,203
Secretary	27,613
Clerk-Typist	23,946
Subtotal, FY 91	753,422

FY 92 Salaries and Benefits

Commissioner General	$ --
Dep. Commissioner, Project Director	--
Dep. Commissioner, Administration	139,178
Pavilion Director	75,396
Construction Engineer	75,396
Exhibits Officer	61,745
Program Coordinator (Logistics)	37,001
Public Affairs Officer	81,598
Cultural Presentations Officer	61,745
Corporate Relations Officer	72,622
Program Coordinator (Fundraising)	37,001
Administrative Officer	72,622
Personnel Officer	51,923
Budget & Fiscal Assistant	41,614
Washington Coordinator	41,614
Secretary	30,374
Clerk-Typist	26,341
Subtotal, FY 92	906,170

FY 93 Salaries and Benefits

Commissioner General	--
Dep. Commissioner, Project Director	--
Dep. Commissioner, Administration	22,054
Pavilion Director	37,698
Construction Engineer	37,698

Exhibits Officer	15,436
Program Coordinator (Logistics)	9,250
Public Affairs Officer	6,470
Cultural Presentations Officer	18,155
Corporate Relations Officer	11,508
Program Coordinator (Fundraising)	9,250
Administrative Officer	36,311
Personnel Officer	12,981
Budget & Fiscal Assistant	6,936
Washington Coordinator	6,936
Secretary	5,062
Clerk-Typist	13,170
Subtotal, FY 93	248,915
Total, USIA Personnel, Seville	2,331,897

Authorization vs. Appropriations

QUESTION:

Last year, as a result of the Committee on Foreign Relations' demands that an enacted authorization bill precede the appropriations, we ended up with Section 614 of the appropriation bill. We are still trying to repeal that and get USIA off a continuing resolution and get you the additional $52,000,000 that would be available for 1990.

Am I correct that the $7,000,000 requested for Seville, and $3,961,000 of the amounts requested for Radio and TV Marti are not authorized?

Has USIA submitted legislation to increase the authorization and what are the chances of getting it enacted?

ANSWER:

Yes, these amounts have not been authorized. However, the Agency has proposed supplemental authorization legislation that would adjust the amounts authorized for these activities to make them equal to the appropriation request. In March, the House Foreign Affairs Committee held hearings on the supplemental requests of USIA and the Department of State and subsequently approved the requested increases for the USIA activities. The Senate Foreign Relations Committee will consider these supplemental needs after final action by the House. We are optimistic that the supplemental legislation will be enacted.

Radio Construction Transfer

QUESTION:

In the reprogramming letter on Seville, it is mentioned that USIA is developing a supplemental appropriation request to transfer $1.4 million from Radio Construction to Salaries and Expenses.

While we appreciate your difficulties in the S&E account, you are going to have to take a lot more than $1.4 million out of Radio Construction due to the outlay difference. The Construction account only spends out at 16 percent while S&E outlays at 87 percent, so you would have to give up $7.4 million in Construction to get $1.4 million in S&E. Is that what you plan to do? If so, what would be the impact on the Construction account?

ANSWER:

No, we have revised our plans. Initially, we planned to transfer funds from the Radio Construction account to Salaries and Expenses to mitigate the impact of budget shortfalls on VOA operations. However, consultations with members of Congress have convinced me that we had to change our proposal. In the Agency's revised 1990 plan, we do not propose any shifts of funds from the Radio Construction account.

In fiscal year 1990, the $1.4 million that would have been obtained by transfer from the Radio Construction appropriation will now be reprogrammed from within the Salaries and Expenses account. Funds will be obtained from the elimination of a showing of the cultural exchange exhibit, "Design in America," in East Germany and from other exhibit reductions and from the continuation of a hiring freeze and other economies in the Voice of America.

Use of Carryover Balances

QUESTION:

Since you have $1.3 million in balances from the Tsukuba Exposition, why not use that money for your S&E shortfall instead of taking the money from Radio Construction?

ANSWER:

As indicated in our reprogramming letter to the Committee, dated March 9, 1990, a total of $2.9 million -- including the balances of $1.3 million in question -- is required in 1990 to facilitate U. S. participation in the 1992 international observances in Seville and Genoa of the 500th anniversary of the voyage of Columbus. These funds will cover initial start-up costs, including exhibit and architectural and engineering design contracts for the U. S. pavilion and personnel salaries. We plan to cover these costs by applying balances of $1.3 million and new 1990 appropriated funds of $1.6 million. The balances consist of $1.1 million from prior-year appropriations for previous fairs and the remaining balances of $.2 million in the Agency's trust fund account for the Tsukuba Expo.

U. S. participation in these expositions is important to our national interests. The planned full economic integration of the European community in 1992 increases the importance of the Seville/Genoa Expos. These events are not a frivolous undertaking -- they are a deadly serious competition for a giant market. Thus, our absence coincidental with the integration of the European Economic Community and the democratization of Eastern Europe would abdicate the U. S. leadership role and harm our trade and economic interests.

All major nations of the Western Hemisphere will be present at Seville. U. S. absence would signal our diminished leadership and involvement in European affairs and call into question our commitment to compete internationally. The Spanish Government attaches great significance to U. S. presence at the Seville Expo and believes that nonparticipation will tarnish the event. This would have a very negative effect on the U. S.-Spain bilateral relationship.

As noted in the answer to the preceding question, we have adjusted our 1990 plans and no longer plan to transfer funds from Radio Construction to Salaries and Expenses.

Amendment for 1991

QUESTION:

The letter also mentions an amendment for 1991. What will that entail?

ANSWER:

Initially, we had planned to transfer funds from the Radio Construction appropriation to the Voice of America portion of the Salaries and Expenses appropriation. However, we have modified that plan. We currently hope to add $5.0 million to Voice of America operations in 1991 through several reallocations. Details of this plan are being discussed, but final details have not yet been worked out.

TV Marti Test

QUESTION:

What is the current schedule for getting the test of TV Marti underway?

ANSWER:

TV Marti test broadcasts began successfully on Tuesday, March 27, at 1:45 a.m.

Separate Appropriation for TV Marti

QUESTION:

Several persons, presumably VOA personnel, have expressed concern about including the funding of TV Marti in the Radio Construction Appropriation. They feel that TV Marti will drain off funding needed to modernize the VOA. Would we not be better off with TV-Marti and Radio-Marti in a separate appropriation just covering their activities?

ANSWER:

Radio Marti is already funded in a separate account (Radio Broadcasting to Cuba). We are developing a proposal for a Cuba Broadcasting Service, which would comprise both radio and TV and be funded from the same account.

New Initiatives in Central America

QUESTION:

How will this budget request permit you to take new initiatives in Central America given the election results in Nicaragua?

ANSWER:

We believe that favorable action on the 1990 supplemental requests for Panama and Nicaragua will enable us, in cooperation with USAID, to expand educational and professional exchanges, journalist training and development, and a range of other USIA programs in both countries. A priority in Nicaragua is to find the means to establish a cultural center in Managua, providing easy access for Nicaraguans to books, video tapes, educational counseling, English language instruction, and programs featuring American speakers, performing artists, exhibits, and Worldnet satellite television programming.

Panama Operation

QUESTION:

What about Panama; is your operation sufficient there?

ANSWER:

We have been able to maintain an active operation in Panama despite the harassment and difficulties of the past years. Although we were forced to curtail and finally halt the southbound US scholar and student components of the Fulbright program, we have continued to bring 30 to 40 Panamanians to the U.S. annually as visiting professors, researchers and graduate students, and half that many as CAMPUS undergraduates despite barriers placed in our path by the Noriega regime, including occasional retaliation against the grantees. International visitor programs have also continued at a high level, and we kept our information center open throughout the difficult times.

But with the establishment of a democratic regime, we recognize the need and the opportunity to do more, and will attempt to do so -- particularly in the field of academic and professional exchange -- dependent upon the availability of resources. In academic exchange, emphasis would be given to supporting linkages between U.S. and Panamanian universities. In professional exchange, working with the press, the new legislature, and key institutions in the judicial system are particular priorities.

The introductory essay to the FY 91 exchanges plan for Panama just submitted by our Post, makes the following observations:

> "Academic institutions are the key to this country's future. The present university student has never before lived in a democratic Panama. Knowledge of democratic institutions is weak, as are the institutions themselves. Commitment to the rule of law now exists, but training in the law itself is abstract rather than concrete. Financial chaos cries out for good managers in business, banking and public administration. The list goes on and on. The fall of the Noriega regime provides USIS Panama with a golden opportunity. University doors stand wide open, and rectors, deans, faculty and students beckon us to enter."

Zero-Based Budget Review

QUESTION:

Given the changes taking place around the world, have you initiated an examination of all your programs to determine if some are still appropriate or if new initiatives are needed? If you have reexamined your programs, how thorough was the approach? If not, do you have any plans to undertake a "zero base" budgeting approach review of your operation to determine how USIA should deal with the changing world?

ANSWER:

The Agency has had to effect significant reductions in the Salaries and Expenses account over the past four years. At the same time, we have accommodated increases in several high priority areas such as broadcasting to China and Eastern European programming. This kind of tradeoff has forced us to undertake a series of hard looks at the way we do business, and we are constantly reevaluating our programs to try to ensure that we have the most effective mix, given a volatile world situation.

We believe that the current resource allocation system within the Agency gives us a reasonably thorough framework for program analysis and evaluation, and we currently have no plans to undertake a zero-based budget review.

VOA Chinese Language Expansions

QUESTION:

In 1990, VOA increased the Chinese Language Broadcasts from 9 to 13 hours daily. Has any thought been given to increasing further the hours we broadcast to China?

ANSWER:

VOA now broadcasts 20 hours daily to China (12 hours in Mandarin, seven hours in English, and one hour in Cantonese). In September, we plan to commence two hours daily in Tibetan. Since May 1989, we have been using two powerful megawatt medium wave transmitters in the Philippines and Thailand to enhance our broadcasts to the Peoples Republic of China. Since we now reach Chinese listeners at all prime morning and evening listening times, we do not plan to expand the schedule further at this time.

Chinese Vs. English to Europe

QUESTION:

Would not additional broadcasting to China have a higher priority than broadcasting 73 1/2 hours a week in English to Europe?

ANSWER:

VOA currently broadcasts 140 hours weekly to China, and plans to add 14 hours in Tibetan next September. Currently, about 15% of VOA's worldwide broadcast hours is beamed to the important audience of the People's Republic of China. This includes an hour a day in Special English, the very popular, slow-paced, limited vocabulary English which has helped millions of Chinese learn about America and the world the past 30 years. Moreover, we broadcast more than twice the number of hours in English to China than we do to the Soviet Union and Eastern Europe. Since we now reach Chinese listeners at all prime morning and evening listening times, we do not believe that any increase in broadcast hours is warranted.

We have no plans to cut English broadcasts to those areas of crucial change. Since 1986, because of budget reductions, VOA has reduced its English broadcasting to every region of the world by 74 1/2 hours weekly -- including 14 hours a week to the Soviet Union and Eastern Europe. VOA Europe, our around-the-clock service to Western Europe, had more than 70 hours of targeted programming originations cut in 1986. At a time of change in both East and West Europe, when the first elections since World War II are being held in at least a dozen East European locations and Soviet republics, it would be ill-advised to trim our English transmissions there any further.

East-West Center

QUESTION:

Mr. Gelb, as you may know, the East-West Center has a special relationship with this Subcommittee as it was initially funded by Lyndon B. Johnson when he was the Chairman of the Subcommittee. Senator Inouye, of course, has a particular interest in the East-West Center. He could not be here today as he is chairing a hearing of our Defense Subcommittee. On behalf of Senator Inouye I would like to ask Dr. Li some questions about the request for the Center.

Last year we appropriated $20,700,000 which was reduced to $20,430,000 by the sequester. Was there something non-recurring in last year's appropriation that prompted OMB to request only $20,000,000 for the Center for 1991?

ANSWER:

There are no non-recurring items included in the Center's FY 1990 budget request. The $20,700,000 which Congress appropriated was intended to cover the Center's base budget and mandatory increases due to inflation. In view of the tight budget situation and other competing program requirements, the Administration set the Center's budget request for FY 1991 at $20,000,000, the same amount proposed by the Administration for 1990 and only 2 percent less than the 1990 level.

Center Request for 1991

QUESTION:

How much did the Center request of the USIA for 1991?

ANSWER:

The Center submitted a request of $26,800,000 to USIA for FY 1991. This amount included a base of $20,000,000, mandatory increases of $800,000, and a program enhancement request of $6,000,000. At the time this request was prepared, the pending Administration request of $20,000,000 for 1990 was used as the base for FY 1991. At a later date, Congress added $700,000 to the Administration's request to cover projected mandatory Center operating cost increases, for a total 1990 appropriation of $20,700,000. USIA included $23,500,000 in its submission to OMB, consisting of base requirements of $21,500,000 and phase one of the Center's proposed program enhancement, totaling $2,000,000.

New Center Program Proposal

QUESTION:

Senator Inouye has indicated to me that the Center has a new program in mind to assist American businessmen in dealing with people in the Pacific rim nations. Please give us a brief summary of what the Center would like to do?

ANSWER.

The Center would like to share its expertise on Asia and the Pacific with corporate leadership and with the faculties of our country's Colleges of Business Administration. The Center will conduct training programs that will provide cultural and historical backgrounds at more depth than is ordinarily available in "How to do Business in ......" courses. The emphasis will be on the understanding of Asian countries' cultures. Each course will present extensive, programmatic information about the conduct of business in the respective cultures, but this will be cast in the framework of the cultural understanding referred to rather than a set of empirical rules. The major outcome would be a greater understanding of Asian cultures by U.S. corporate leadership, particularly in building a body of decision-makers with a better grasp of economic systems and the cultures in which they are embedded. This greater understanding should lead to greater harmony and, concomitantly, to an improvement in the volume of trade from the United States to Asian countries.

Proposed 1991 Center Enhancement

QUESTION:

What did the Center plan to do with the additional $6,000,000 that the Center requested, but didn't receive for 1991?

ANSWER:

The Center planned to conduct new programs which would greatly enhance the ability of the United States to deal more effectively with the rapidly changing Asia-Pacific region. Decision-makers in Congress, in the Administration, in the private sector, and public opinion leaders in the media and in education, need much more accurate information and clear analysis about the region. In this era of global interdependence there is a need for the American public to have a better understanding of the region and this will require much better education about the region for both students and the media. The Center, with nearly three decades of collaborative research and education in the region, has built a strong foundation of knowledge and cooperative relations with the region, and can play a central role in this national effort.

Attached is a summary of the five new program areas that were planned.

EAST-WEST CENTER

FY 1991 Program Enhancement Request

The following is a brief summary of the five new programs planned by the Center:

ECONOMIC DEVELOPMENT - Many of the problems confronting the US and its relations with Asia and the Pacific are economic in nature. This program will provide regional policymakers in-depth analysis from these topical areas: US/Japan economic cooperation, ASEAN studies, Asia/Pacific economic outlook, regional development, market reform in centrally-planned economies, and energy and mineral resources.

INTERNATIONAL RELATIONS - Just as new mechanisms and institutions must be developed for managing the burgeoning economic activities with Asia and the Pacific, so must new processes be developed to deal with the increasing complex international relations in the region. The Center will focus on the Southwest Pacific and the much neglected Pacific Island nations; political and diplomatic issues such as the changing Soviet, Japanese, and Chinese roles in the region; and political developments that will affect future relations, such as the political liberalization going on in many Asian countries.

PROFESSIONAL EXCHANGES - A hallmark of the Center is its strong tradition of collaborative research with partners in the region. The rapid growth of relations between the US and the region requires new levels of interchange, among journalist, business people, political officials and other professionals. This program enhances these person-to-person exchanges through the topical area of media and politics as well as the mobilization of East-West Center alumni.

PUBLIC EDUCATION - The Center will establish a major new program of public education and outreach to make information and analysis about the region more accessible and understandable to decision-makers and opinion-leaders, and to improve the general public's level of understanding about the region. This initiative will be carried forward through seminars, conferences, briefings, publications, the continuation of the Consortium for Teaching Asia and the Pacific in the Schools, and an Asia/America news study.

CULTURAL CHANGE - The cultural diversity of Asia is both exciting and confusing. Intuitively, one knows that cultural factors--values, beliefs, practices, and institutions--must strongly affect a person's or a society's way of doing things. This program will strive to make direct linkages between cultural factors and political and economic actions by analyzing: families and social change, economic institutions, and comparative analysis of development policies.

1991 Current Services Level

QUESTION:

If we are not able to fund the expanded program, how much is required in 1991 to maintain the 1990 program?

ANSWER:

If Section 614 is repealed, we will have a FY 1990 appropriation, after sequestration, of $20,430,000. In order to maintain this program level in FY 1991, a budget of $21,247,000 would be required to cover mandatory operating cost increases, an increase of $817,000 over the intended FY 1990 budget of $20,430,000.

Increase for NED

QUESTION:

USIA has requested $25 million for the National Endowment for Democracy (NED). This is a $8 million increase over fiscal year 1990.

How much of the large increase for NED will be directed to Eastern Europe and the Soviet Union, Nicaragua and Panama?

ANSWER:

With an increase of $8 million in NED's annual appropriation, it is estimated that $2.1 million would be spent in Eastern Europe and the Soviet Union, $330,000 in Nicaragua, and $155,000 in Panama. Obviously, these figures are rough estimates, subject to change as we get closer to the beginning of the fiscal year when the needs of groups building democratic institutions in these countries can be more precisely ascertained.

U.S. Government Funding

QUESTION:

Do any of the NED grantees receive funds from other U.S. Government agencies? If so, which grantees and how much did they receive from whom in fiscal 1989 and expect to receive in 1990 and 1991?

ANSWER:

Two of NED's core grantees received the following funding from other U.S. Government agencies in 1989:

* National Democratic Institute:

  -- $75,000 from the U.S. Agency for International Development (A.I.D.) for an observer delegation to monitor Panama's May, 1989 election; and,

  -- $141,877 from A.I.D. for an observer delegation to monitor Chile's December, 1989 election.

* National Republican Institute for International Affairs: $75,000 from A.I.D. to monitor Panama's May, 1989 election.

The Center for International Private Enterprise and the Free Trade Union Institute received no funding in 1989 from U.S. Government agencies. It is not known at this point by any of the core grantees how much funding from government sources will be made available to them in 1990 or 1991.

Private Funding

QUESTION:

Did any of the NED Grantees receive private funds in 1989; if so, who and from whom?

ANSWER:

NED core grantees received the following private contributions:

- The National Republican Institute for International Affairs:

R.J. Reynolds International, INC.	$200,000
The Washington Consulting Group	1,500
Coeur d'Alene Mines Corporation	500
Elephant Forum	300
Bert T. Edwards	100
TOTAL	202,400

- The National Democratic Institute for International Affairs received a total of $413,559.15. (Please see the attached list of individual contributors.)

- The Free Trade Union Institute received $2,500 from the AFL-CIO.

- The Center for International Private Enterprise received no private funding.

NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS
1989 CASH DONATIONS

DATE	PAYEE	TOTAL
May 18	Abelardo L. Valdez	$ 455.00
May 9	Abelardo Valdez	50.00
Oct. 19	ACTWU - Liz Smith	2,500.00
Dec. 15	Administration	112.15
Feb. 13	Afif Tannous	50.00
Mar. 20	AFL-CIO	2,500.00
Aug. 29	AFL-CIO	5,000.00
Sep. 19	AIT-Rachelle Horowitz	5,000.00
May 9	Alan Secrest	50.00
Mar. 10	Alene Briggs Brown	25.00
May 22	Alfred Bornemann	100.00
Sep. 27	Alfred Swan	50.00
Feb. 27	Alice Kieweg	100.00
Mar. 10	Alice Nelson	5.00
Mar. 14	Alissa C. Guyer	20.00
Jun. 23	American Federation of Teachers	350.00
Mar. 23	Ann Burrola	300.00
Mar. 2	Anne Cooper	100.00
Oct. 6	Anne Martindell	500.00
Feb. 24	Anne Minahan	100.00

DATE	PAYEE	TOTAL
Feb. 27	Anonymous	50.00
May 17	Anonymous Donors (2)	100.00
Aug. 29	Arnold & Porter	2,000.00
Oct. 10	Arthur & Ruby McZier	1,000.00
Mar. 10	Asher Schwartz	100.00
Oct. 6	Asian-American Free Labor Institute	5,000.00
Feb. 10	Association of American Publishers, INC.	250.00
May 17	Audrey Sheppard	50.00
Oct. 6	Audrey Sheppard	75.00
Mar. 10	A. F. Kay	100.00
Oct. 6	Bank of Credit & Commerce International S.A.	5,000.00
Oct. 5	Barbara Dixon	500.00
Mar. 2	Beatrice Kahn	100.00
Jan. 27	Bell South D.C. - Daniel Murray	1,000.00
May 15	Bellsouth D.C., INC.	350.00
Oct. 6	Bellsouth D.C., INC.	1,000.00
Mar. 10	Bert Fletcher	30.00
Oct. 31	BFI (Richard Goodstein)	500.00
Oct. 26	Bill Crotty (Black, Crotty, et. al.)	1,000.00
Feb. 22	Bill Denner	100.00
May 19	Bill Halamandaris	585.00
Apr. 1	Bill Middleton	25.00
Sep. 16	Bill Oldaker	500.00
May 9	Bill Sweeney	50.00
Dec. 6	Bill Sweeney - Wash. Resources	500.00
Dec. 15	Blum - Kovler Foundation	1,000.00
May 12	Blum - Kovler Foundation	5,000.00
Sep. 11	Boeng Co.	5,000.00
Jun. 15	Brewster Waddell	500.00
Feb. 23	Bricklayers (Jack Joyce)	5,000.00
Sep. 7	Bricklayers (Jack Joyce)	5,000.00
Apr. 1	B.C. Bellows, Jr.	100.00
Apr. 1	Carl E. Devane, PhD	25.00
May 18	Carla M. Dancy	160.00
Feb. 27	Carmen Votaw	100.00
May 15	Caroline Ramsey Pitcher	100.00
Jan. 10	CBS (Martin Franks)	1,000.00
Oct. 5	CCNAA	1,500.00
May 17	Celinda C. Lake	50.00
Mar. 13	Charles Brenner	50.00
Apr. 19	Charles Curry	350.00
Apr. 1	Charles De Muralt	250.00
Aug. 18	Charles Dyson	5,000.00
Jan. 3	Charles E. Smith Trust	1,500.00
Aug. 10	Charles Maynes	75.00
Sep. 23	Charles Smith	100.00
Feb. 27	Charles West	100.00
Apr. 27	Charles W. Maynes	50.00
Jan. 5	Christine Morgan	50.00
May 18	Christopher D. Kepferle	400.00
May 19	Christopher D. Kepferle	4,500.00
Apr. 27	Christopher Reeve	500.00

DATE	PAYEE	TOTAL
May 18	Clara Y. Bingham	225.00
May 9	Clara Y. Bingham	100.00
Apr. 27	Communications Workers of America	350.00
May 3	Communications Workers of America	350.00
Aug. 18	Communications Workers of America	5,000.00
Aug. 29	Communications Workers of America	5,000,00
Jan. 3	Community Foundation of Greater Washington, D.C.	1,000.00
Jun. 19	Cooksan America/ Richard Oster	350.00
Jan. 19	Cookson America	2,500.00
Mar. 13	Cornelia J. Motheral	100.00
Mar. 10	Courtenay White	25.00
May 3	C. Victor Raiser, II	350.00
Mar. 27	C. H. Carlson	50.00
Feb. 22	Daniel Hartzell	50.00
Mar. 10	Daniel Kemp	100.00
Sep. 16	David Aaron	500.00
May 22	David E. McGilbert	250.00
Mar. 2	David Isbell	100.00
Apr. 27	David L. Aaron	350.00
Mar. 2	David Sloss	100.00
Mar. 10	David Stephenson	10.00
May 3	Debra Callahan	50.00
Apr. 1	Denis c. Adler	50.00
May 18	Dennis & Judith Whittlesey	250.00
May 18	Diane E. Cafferty	100.00
May 19	Diane M. Reis	90.00
Sep. 14	Dick Moe	500.00
Oct. 19	Dick White/ Tobacco Institute	5,000.00
May 17	Direct Selling Ass.	350.00
Oct. 6	Direct Selling Ass.	500.00
Apr. 27	Domestic & Foreign Missionary Society	3,500.00
Mar. 2	Donald Berry	50.00
Mar. 27	Donna Bassin	10.00
Feb. 27	Dora Johnson	500.00
May 3	Dorothy Dillion	50.00
Jan. 4	Dorothy Dillion	100.00
May 19	Dorothy Dillion	750.00
Feb. 27	Dorothy Warrington	100.00
Sep. 20	Doug Bennell	250.00
Jan. 5	Douglas Keare	100.00
Apr. 16	Edith S. Frank	5.00
Feb. 27	Edward C. Welsh	5.00
Mar. 6	Edward Leshowitz	100.00
Jun. 2	Edward M. Fouhy	5.00
May 15	Edward M. Fouhy	100.00
Aug. 29	Edward Sears	100.00

DATE	PAYEE	TOTAL
Mar. 10	Edward Welsh	20.00
Sep. 19	El Johnson	10.00
May 8	Electrical Workers	350.00
Oct. 17	Elizabeth Bagley	5,000.00
May 27	Elizabeth Frawley Bagley	2,000.00
Feb. 23	Elizabeth Hubbard	100.00
May 22	Elizabeth Keeler	25.00
Feb. 27	Elizabeth Lewis	10.00
Nov. 17	Elliot Kulick	5,000.00
May 19	Elliott F. Kulick	500.00
Aug. 10	Elliott F. Kulick	350.00
Dec. 15	EPCINT International, INC.	2,500.00
Oct. 10	Equitable Life Assurance Society of the U.S.	2,500.00
Mar. 10	Eric Rubin	25.00
Sep. 14	Erin Ennis	5.00
May 17	Esther Lispen Coopersmith	50.00
May 18	Esther Lispen Coopersmith	1,295.00
May 18	Esther Lipsen Coopersmith	1,500.00
Mar. 6	Eugene Rowe Bradford	100.00
May 19	E. Mark Braden	1,100.00
Apr. 1	E. R. Piore	100.00
May 9	E. S. Porter	100.00
Mar. 6	E. E. Hagan	100.00
Oct. 10	Federal City National Bank	250.00
Oct. 10	Federal City National Bank	750.00
Sep. 21	Ffelicity Gund	250.00
May 18	Financial Innovations	165.00
May 17	Financial Innovations, INC.	100.00
May 15	Flanagan Group, INC.	100.00
Feb. 23	Florence Fink	100.00
Nov. 17	FMR Group	1,500.00
Apr. 27	Foundation for Democratic Education	100.00
Oct. 6	Foundation for Democratic Education, INC.	500.00
Mar. 10	Frances O. Burford	50.00
Mar. 13	Frances P. Locke	100.00
May 17	Franklin Greer/ Stephanie Solien	100.00
Feb. 27	Franklin Haines, Jr.	100.00
Mar. 27	Fred Stone	100.00
Mar. 17	Frederick Hartwig	50.00
Oct. 6	Friends of Paul Kirk	1,100.00
Aug. 29	General Dynamics	5,000.00
Oct. 31	General Electric (Bob Barrie)	1,000.00
Mar. 27	Genevieve W. Foster	100.00
Apr 16	George Germann	25.00
Mar. 2	George Holloway	100.00
Apr. 1	George Roth	10.00
Mar. 14	George R. Walker	100.00
Apr. 19	Gerald Cassidy	350.00
Sep. 16	Gerald Cassidy	5,000.00
May 18	Geraldine A. Ferraro	850.00

DATE	PAYEE	TOTAL
Nov. 20	German Marshall Fund of the United States	12,000.00
Oct. 10	German Marshall Fund of the United States	20,000.00
Feb. 22	Glen Rodgers	10.00
Oct. 6	Grant F. or Betty J. Mackie	500.00
Mar. 2	Gregory Lowe	100.00
Feb. 16	G. Milton Crum, Jr.	100.00
Mar. 2	G.S. Campbell	60.00
Oct. 5	Habib Bank	5,000.00
Nov. 3	Hallmark Cards (Barbara Burchelte)	1,000.00
Apr. 1	Harley C. Stevens	250.00
Aug. 18	Harman Family Foundation	5,000.00
Feb. 27	Harold P. Ford	25.00
Apr. 16	Harriet E. Chipma	100.00
May 3	Harriet Babbitt	350.00
Oct. 5	Harriet Babbitt	500.00
Jul. 31	Hayward and Judith Alker	100.00
Apr. 1	Hazel Decker	150.00
Apr. 16	Henry B. Leader	50.00
Mar. 2	Hildegard Elsberg	75.00
May 18	Hillbrook Inn, INC.	840.00
May 3	Hodding Carter III	100.00
May 17	Horace Jennings	1,000.00
Mar. 6	Howard Meredith	100.00
Sep. 16	Ingwald Rosendahl	25.00
May 3	International Association of Fire Fighters	350.00
Oct. 19	International Ladies' Garment Workers Union	500.00
Oct. 10	International Union - UAW	1,000.00
May 15	Interworld Consultants	50.00
Jan. 3	Int'l. Ladies' Garment Worker's Union	500.00
May 22	Int'l. Union of Bricklayers & Allied Craftsmen	350.00
May 3	Ironworkers Political Action League	
Mar. 6	Irving Greenberg	25.00
Oct. 10	I.B.E.W. Educational Committee	2,500.00
Mar. 27	Jacob Weisman	100.00
May 18	James C. Mayfield	260.00
Oct. 26	James DeNaut	100.00
Oct. 10	James F. Kelley	1,000.00
Oct. 10	James F. Kelley/ Mary C. Kelley	1,000.00
Apr. 1	James F. Mulcahy	100.00
Mar. 2	James J. Raywood, Jr.	100.00
Apr. 1	James N. Laichas	100.00
Feb. 27	James Suitterlin	100.00
Feb. 22	James Vance	1,000.00
May 18	Jan H. Kalicki	350.00
May 17	Jane Petrie Danowitz	50.00
Apr. 24	Jan & Sidney Harman	350.00
May 17	Janet E. Evered	145.00

DATE	PAYEE	TOTAL
Oct. 6	Jay D. Doherty & Associates, INC.	500.00
Sep. 19	Jeff Petersan-Distilled Spirits	500.00
Oct. 10	Jefferson Group, INC.	500.00
May 19	Jennifer M. Johnson	470.00
May 19	Jerry Hagstrom	300.00
May 3	Jill Schuker	50.00
Oct. 6	Jill Schuker - Hill & Knowlton	500.00
Feb. 22	Jim Booe	100.00
Aug. 18	Joan Bingham	2,500.00
May 18	Joan N. Baggett	160.00
Sep. 14	Joan Shorey	1,000.00
May 8	Joan Waters	100.00
Oct. 6	Joanne L. Symons	75.00
May 17	Joe Clements	100.00
Feb. 27	Joe Ed Geren	100.00
May 3	John Brademas	350.00
Feb. 27	John Bujay	50.00
Mar. 14	John Calhoun	50.00
Mar. 27	John C. Eddison	100.00
Apr. 1	John C. Stevenson	100.00
May 8	John C. Timmerman	50.00
May 22	John E. Carey	100.00
Apr. 16	John F. Reichard	25.00
Sep. 16	John Hechinger	500.00
Mar. 10	John Howard	100.00
Oct. 10	John Hurson/ Susan Hurson	500.00
Feb. 22	John Perry	100.00
Jan. 3	John Stephenson	100.00
May 8	John S. Perry	783.00
Nov. 13	John White	500.00
Oct. 12	Johnson Matthey - Joe Povey	50.00
Mar. 2	Jonathon Hoyt	100.00
May 8	Joseph A. Minott	100.00
Mar. 6	Joseph Little	100.00
Jan. 3	Joseph Onek	100.00
Feb. 22	Josephine H. Paden	10.00
Oct. 5	Josiah Beeman	500.00
May 18	Judith H. Whittlesey	660.00
May 9	Judy Whittlesey	350.00
Oct. 6	Julia Montgomery Walsh	500.00
Feb. 24	Jury Dobry	50.00
Feb. 15	Justin Stewart	100.00
May 18	Kambler Group, INC.	3,000.00
May 8	Katherine & Scott Smith	~~100~~.00
Sep. 21	Katrina Dulbe	500.00
Feb. 15	Katrina L. Bulbe	100.00
Sep. 11	Ken Melley	125.00
Apr. 16	Kenneth Yound	100.00
Mar. 2	Kurt Walter	20.00
Oct. 5	Laborers International Union	1,000.00
Apr. 1	Lawrence Haines	50.00

DATE	PAYEE	TOTAL
Oct. 17	Leo Daly	5,000.00
Apr. 27	Leon G. Billings	350.00
Oct. 6	Leon G. Billings, INC.	1,000.00
Aug. 10	Leon Tempelsman & Son	434.00
Feb. 27	Lester Van ATTA	50.00
Oct. 17	Lewis Manilow	5,000.00
May 3	Lila Domiguez	200.00
Mar. 27	Lila L. Domiguez	250.00
Apr. 16	Lincoln Gordon	100.00
Mar. 6	Linda Ard	100.00
Feb. 27	Lois Ennis	100.00
Feb. 14	Lois Roush	25.00
May 15	Lorenzo Morris	50.00
Feb. 22	Louise Raggio	100.00
Mar. 10	Louise Wilson	50.00
Oct. 6	Lovida H. Coleman, Jr.	500.00
Mar. 21	Lucille Miller	100.00
Feb. 13	Lula M. Hile	100.00
Feb. 27	Luzerne Hufford	100.00
Nov. 20	L. Kirk O'Donnell	250.00
Mar. 27	L. R. Sargeant	100.00
Sep. 27	Madelane Albright	5,000.00
May 18	Madeleine Albright	600.00
Apr. 1	Marc Blumstein	100.00
Aug. 29	Marcia A. Pasternack	100.00
Mar. 10	Margaret Cooper	100.00
Feb. 27	Margaret S. Gordon	100.00
Jan. 3	Marie A. Emmal	100.00
May 19	Marie Louise Caravatti	85.00
May 3	Marife Hernandez	1,000.00
Feb. 23	Marife Hernandez	5,000.00
Oct. 6	Marife Hernandez	5,000.00
May 17	Mario Brossi	125.00
Apr. 1	Marion K. Kellogg	150.00
Jan. 10	Marion Labs (Richard Burnett)	500.00
Jan. 3	Mark B. Dayton	5,000.00
Sep. 8	Mark Dayton	500.00
May 18	Marsha Meltzer	235.00
Feb. 22	Martha Offenbacher	25.00
May 18	Marty L. Anderson	90.00
May 17	Marty L. Anderson	100.00
Sep. 20	Marvin Weissberg	5,000.00
May 24	Mary Ellen Marzolf	100.00
Mar. 2	Mary Johnson	25.00
Mar. 10	Mary Kahn	50.00
Mar. 14	Mary Le Cron Foster	250.00
Feb. 27	Mary Morain	250.00
Mar. 2	Mary Price	25.00
Feb. 23	Mathilda Goldman	100.00
Apr. 25	Maurice Tempelsman	350.00
Aug. 18	Maurice Templesman	10,000.00
May 15	Maxine Isaacs	100.00
May 3	Michael Brewer	350.00
Oct. 6	Michael E. McAdams	500.00
Oct. 12	Michael Johnson	2,500.00
Oct. 12	Michael Shinn	100.00

DATE	PAYEE	TOTAL
May 3	Michael & Carol Steed	350.00
May 19	Michelea Manatt	475.00
Jun. 20	Mickey Brennan - Ironworkers Political Action League	1,200.00
Sep. 12	Mike Baines	500.00
May 15	Mimi Mager	50.00
Feb. 9	Miriam J. W. Andrus	100.00
May 18	Miriam Mager	130.00
Mar. 10	Morris Matsen	50.00
Sep. 19	Morris Storer	50.00
May 18	M. F. Weissberg	400.00
Mar. 10	M. R. Weber	100.00
Mar. 13	M/M Robert Roosa	50.00
Aug. 18	Nadeem Ikramullah - NED Chartering	5,000.00
Apr. 16	Nancy C. Schwartz	100.00
Jan. 4	Nancy Cicalo	100.00
Jun. 19	Nancy Pelosi	1,000.00
Oct. 19	Nathan Manilow Foundation	200.00
Sep. 19	National Bank of Pakistan	5,000.00
May 3	National Education Association	350.00
Jun. 20	National Education Association	400.00
Oct. 5	National Education Association	5,000.00
Sep. 11	National Committee to Preserve Social Security	1,000.00
Sep. 20	NED Chartering	1,000.00
Sep. 27	NED Chartering	4,000.00
May 15	Neill & Company, INC.	350.00
Oct. 19	Nicholas Angell/ Chadburne & Parke	500.00
Feb. 14	Norman Olsen	100.00
Oct. 5	Norris Blanks	1,000.00
Aug. 29	N.H. Charitable Directed Fund	5,000.00
May 9	Ogilvy & Mather	350.00
Mar. 2	Onella Hobbs	15.00
May 8	Orville L. Freeman	100.00
May 22	Pamela D. Needham	1,400.00
May 17	Patricia J. Keefer	45.00
May 17	Patricia J. Keefer	50.00
Jul. 15	Patricia J. Keefer	600.00
Oct. 6	Patricia M. Derian/ H. Carter, III	1,000.00
Oct. 6	Patrick Johnson Associates -- PAAT Griffin	1,000.00
Sep. 27	Paul Quinn	500.00
May 17	Paul S. Quinn	100.00
May 24	Pauline R. Laag	100.00
May 15	Peggy Friedlander	50.00
Oct. 5	Peter Dailey	1,000.00

DATE	PAYEE	TOTAL
May 18	Peter D. Hart	250.00
Jan. 27	Peter Fenn	500.00
Jun. 5	Peter Fenn	500.00
Apr. 1	Peter Gilmore	100.00
May 22	Peter G. Kelly	975.00
Sep. 27	Peter Hart	500.00
Feb. 22	Peter Naktenis	50.00
Mar. 6	Peter Rintels	50.00
Oct. 5	Philip Pillsbury	500.00
Feb. 27	Phillip Anderson	100.00
Apr. 1	Phillips Talbot	100.00
May 15	Phyllis McGovern	350.00
May 17	Polly H. Agee	50.00
May 18	Priscilla Hill-Ardoin	100.00
May 9	Providencia Paredes	50.00
May 3	Ralph Goldman	100.00
Mar. 27	Ralph Mann	100.00
May 17	Randall C. Garton	50.00
May 3	Randy Goldman	50.00
Jun. 2	Raymond Strother	325.00
May 8	Reverend John E. Mitchell	50.00
Apr. 16	Reverend & Mrs. Alden Besse	30.00
Mar. 13	Richard Cole	100.00
Mar. 14	Richard E. Gespard	25.00
Sep. 27	Richard Gaspard	25.00
Feb. 22	Richard Horvitz	100.00
May 23	Richard R. Howe	100.00
Mar. 13	Richard Stoner	100.00
Mar. 2	Robert Ahlstrom	50.00
Feb. 23	Robert Anderson	10.00
Sep. 21	Robert Brooks	500.00
Feb. 14	Robert Coakley	100.00
May 18	Robert D. Squier	400.00
Feb. 27	Robert H. Frost	50.00
Feb. 22	Robert Lowe	100.00
Sep. 27	Robert Rubin	1,000.00
Mar. 14	Robert Rywick	100.00
Jan. 13	Ron Brown	500.00
Sep. 27	Roselyn Swig	250.00
May 9	Rubin Foundation	350.00
Feb. 27	Russell McCaughan	100.00
Feb. 27	Ruth H. Hall	50.00
Sep. 16	Ruth Mitchell	100.00
Feb. 22	Ruth White	100.00
May 8	R. H. Sullwold	25.00
May 3	Teel Oliver/ Merck & Co., INC.	130.00
Mar. 2	R. B. Stevens	100.00
Nov. 3	Sabey Corporation	5,000.00
Feb. 23	Sarah Fitzgerald	35.00
Feb. 27	Scovil Hubbard	25.00
May 15	Service Employees	100.00
Nov. 17	Service Employees	1,000.00
Oct. 26	Service Employees	1,000.00
Apr. 20	Sidney F. McKenna	350.00
Feb. 22	Sol S. Weiner	100.00
Feb. 23	Spurgeon Lester	30.00

DATE	PAYEE	TOTAL
May 17	Squier/Eskew Communications, INC.	350.00
Mar. 2	Stanley Brewster	50.00
Feb. 27	Stanley Platt	25.00
Feb. 22	Stephen Crary	150.00
Apr. 1	Stephen Louis Taylor	50.00
Oct. 19	Steve Bell/ Salomon Brothers	5,000.00
Feb. 24	Steven W. Ross	50.00
Apr. 24	Stuart Moldaw	350.00
Aug. 18	Stuart Moldaw	5,000.00
Apr. 19	Syed T. Raza	100.00
Oct. 5	Teamsters	5,000.00
Feb. 6	Ted Van Dyk	500.00
Oct. 10	Terence R. McAuliffe	1,000.00
Feb. 6	Terry McAuliffe	5,000.00
May 17	Thayer M. MacKenzie, MD	50.00
Feb. 22	Thelma Dreis	1,000.00
Mar. 27	Thelma P. Gordon	100.00
May 9	Theresa Fitzpatrick	50.00
Jun. 5	Thomas J. Brazaitis	55.00
Feb. 22	Thomas McKay	100.00
May 19	Thomas O. Melia	235.00
Feb. 15	Thomas Stern	100.00
Mar. 2	Thoreau E. Raymond	200.00
Apr. 16	Timothy O'Connor	50.00
Sep. 23	Tom Eagleton	1,001.00
May 9	Travel Tours	350.00
Oct. 26	Travel Tours (Lillo Glorioso)	1,000.00
Mar. 2	T. Watkins Hughes	100.00
Sep. 19	UFCU	5,000.00
Oct. 5	United Bank	5,000.00
May 3	United Steel Workers	350.00
Aug. 29	United Steelworkers of America	5,000.00
May 12	U.H.A.C. National	250.00
May 19	Val J. Halamandaris	1,660.00
Sep. 27	Verne Newton	500.00
Mar. 13	Vesta Downer	50.00
Sep. 11	Victer & Molly Raiser	5,000.00
May 3	Victor Kamber	50.00
Mar. 10	V. Sahadevan	100.00
Mar. 27	Waltewr C. Rogers	100.00
Feb. 22	Warner Mendenhall	100.00
Feb. 22	Warren Mathews	100.00
Feb. 14	Willard Long Thorp	100.00
Mar. 27	William C. Thorton	100.00
Apr. 1	William Haney	100.00
Aug. 18	William J. Vanden Heuvel	500.00
May 17	William L. Van Camp	100.00
Aug. 18	William Nyce	100.00
Mar. 2	William Peterson	4.00
May 19	William R. French	350.00
May 19	William R. Sweeney, Jr.	290.00
Feb. 27	William Strickhouser	35.00
Apr. 21	William Thomas	350.00

DATE	PAYEE	TOTAL
Aug. 18	William Thomas	5,000.00
Sep. 19	Willie Campbell	500.00
May 18	W. Grassi	65.00
May 8	W. Halamandaris	100.00
Feb. 14	W. Seymour Archibald, Jr.	1,000.00
Sep. 14	W.F. Mondale	1,000.00
Feb. 27	W.W. Vickery	200.00

Grantee Evaluation

QUESTION:

NED has had about six years of operational experience. Has NED performed any evaluations of the programs that it has funded? If so, what were the results and what lessons were learned? If not, why has there been no evaluations?

ANSWER:

NED evaluates all programs carried out by its grantees to determine their effectiveness.

While programs are in progress, they are monitored on an ongoing basis. This includes reviews by Endowment staff of materials produced (e.g. videos, publications) as well as consultation with grantees and governmental and nongovernmental outside experts. Additionally, Endowment staff make periodic on-site visits to verify information provided by grantees in written reports, as well as to consult with the U.S. Embassy. Steps are taken to verify information provided by grantees through consultations with participants in outside review by experts and observers of NED-supported programs. U.S. grantees also contribute their own program evaluations focusing on their experience with and observations of the performance of the foreign group.

The Endowment periodically convenes meetings of experts to assist in the review of programs within a particular country or region. Past meetings have focused on Endowment programs in Eastern Europe and the Soviet Union, Latin America and Africa.

The evaluation process helps determine not only those programs worthy of future support but also those categories of grants which should be continued. For example, a panel of experts convened several years ago to discuss our programs in the Soviet Bloc helped persuade us to continue support for Russian emigre publications because of the impact they were having in the region.

We consider the evaluation process an essential tool in deciding when to continue and when to terminate grants for specific programs. Evaluations have served the additional purpose of helping determine priorities among various categories of programs.

Evaluating Program Effectiveness

QUESTION:

What criteria does NED use for evaluating the effectiveness of its program in fulfilling the goal of promoting democracy?

ANSWER:

The criteria for evaluating the effectiveness of programs will vary depending upon the level of democratization in a given society. For example, with respect to programs conducted in closed societies, measuring the effectiveness of a program may involve no more than providing reasonable assurances that the support is getting to the intended recipients inside the target country. By contrast, in countries making the transition to democracy, the criteria centers on the extent to which the transition process itself has been furthered. The key question here is whether or not the program has contributed to the consolidation of democratic gains by strengthening the institutions of civil society and democratic governance.

In evaluating new and on-going programs, the Endowment stresses the importance of developing new, innovative ways of strengthening democratic institutions and organizations. The programmatic framework established by the Endowment is sufficiently broad and flexible to allow new ideas to be tested and bold new approaches to be tried. Obviously, the Endowment endeavors to learn from experience and to build upon a foundation of tested programs and methods. But it will continue to look favorably upon programs which demonstrate originality and creativity and which thus further understanding of the kinds of efforts that will enhance the democratic prospect in the future.

Entrenchment of Democracy

QUESTION:

What criteria does NED have for determining when to end funding in a country when democracy has become entrenched?

ANSWER:

Determining the level of democratization in a given country is not an exact science. But democracy cannot be said to exist in the absence of institutions which guarantee freedom of expression, belief and association, free and competitive elections, respect for the inalienable rights of individuals and minorities, free communications media and the rule of law.

The question of when it is appropriate to end funding is closely related to the particular state of democratic development in a given country. As the transition is made toward more (or less) democratic rule, Endowment programs are adapted appropriately. Once a country has completely established a stable democracy, funding for programs is phased out.

Audit of Grantee Organizations

QUESTION:

Are NED's grantees audited to determine if terms of the grants have been met and that there is accountability for grant funds?

ANSWER:

Each NED grant over $50,000 is required to have an independent audit; smaller grants are audited as needed.

Grantees are required to have either 1) an organization-wide financial statement audit usually conducted annually but not less frequently than every two years, 2) a financial-related grant audit conducted after the conclusion of the grant, or 3) some other appropriate form of independent verification determined in consultation with the Endowment's Internal Auditor.

Each NED grantee agrees that it will keep all records reasonably necessary to disclose fully the amount and the disposition of funds granted under the terms of the grant agreement and to facilitate an effective audit.

Support for Eastern Europe Democracy Act

QUESTION:

Last year the appropriation of the Agency for International Development contained $3,000,000 for USIA Educational and Cultural Exchanges with Poland and Hungary. Has that program been implemented?

ANSWER:

The program is in the process of being implemented. USIA and AID signed an interagency agreement on February 8, 1990 which transferred $2,943,000 (reduced from $3,000,000 because of a pro rata deduction for the President's Drug Program) to USIA for SEED Act activities. A number of projects are now underway and others are planned.

Follow-Up Funding in 1991

QUESTION:

Is there any follow-on funding to the $3,000,000 from AID for fiscal 1991 and where is it provided?

ANSWER:

The SEED Act authorized $12,000,000 for USIA program activities for the three year period 1990-92. The Administration has requested $300 million in FY 1991 for Eastern Europe, which has not at this point been allocated by program or country in order to allow us to respond flexibly to the rapidly changing conditions in the region. Funding for USIA and other agencies will depend on new program requirements.

Support for Eastern Europe Democracy Act

QUESTION:

What is the relationship of these funds to USIA's new Alexander Hamilton and John Marshall Programs?

ANSWER:

The Alexander Hamilton and John Marshall Programs, which are part of the President's East European Initiatives funded in the Agency's Educational and Cultural Exchange Programs account, consist of two parts: (1) the establishment of university chairs in Budapest beginning in the fall of 1990. Recruitment for these positions is underway through the Fulbright Program, using the Council for the International Exchange of Scholars (CIES); and (2) creating of fellowships for postgraduate study at U.S. universities. For the current semester, there are nine Alexander Hamilton management fellows from Poland in the U. S. In academic year 1990-91, we expect to have about 14 Alexander Hamilton fellows in the U. S. from Poland, Hungary, Czechoslovakia, East Germany, Romania, and Bulgaria. The John Marshall Fellowship Program will bring 12 East Europeans to the U. S. for academic year 1990-91 for legal studies.

The SEED Act provides funds for new educational and cultural exchange activities with Poland and Hungary. A portion of the SEED funding will be used for the Alexander Hamilton and John Marshall Programs in those two countries.

Congressional Notification of These Programs

QUESTION:

When is the subcommittee going to be officially notified of the Alexander Hamilton and John Marshall Programs?

ANSWER:

A description of the two programs is provided in the answer to the preceding question and on page 35 of the Agency's detailed 1991 budget justifications for the Educational and Cultural Exchange Programs appropriation transmitted to the Committee last January. In addition, we plan to submit a formal reprogramming notification to the Committee this month.

Festival of American Music in the USSR

QUESTION:

Last year, the committee earmarked $1,000,000 to assist with American costs of the joint music program with the Soviets called "Making Music Together". How do we stand on the funding of and implementation of that project?

ANSWER:

The idea of holding a major festival of American Music in the USSR is a good one. "Making Music Together", as originally conceived by Sarah Caldwell, represented an outstanding concept for such a festival. Intended to be launched in the fall of 1989, that project has now been delayed at least until the fall of 1990 by the organizers' inability to raise adequate private funding.

If Section 614 of the 1990 Appropriations Act is repealed, making the higher 1990 appropriations available, USIA is prepared to provide $500,000 in 1990 and $500,000 in 1991 for this project. However, we do not believe it can be adequately funded from public monies alone; or that it should be. Even the $1,000,000 the Agency is prepared to provide over two fiscal years would not pay for the sort of festival Ms. Caldwell has conceived. (The reductions imposed by Appropriations Conference Committee action and subsequent sequestration decreased the Senate allowance for USIA's FY 1990 S&E account by $16 million, necessitated significant program reductions and greatly impaired USIA's ability to fund the music festival at the recommended level.)

As with all other grant recipients, the Festival Committee must follow the established grant procedures, providing the Agency with complete program and budget information necessary to properly manage federal funds. USIA and Embassy Moscow are working directly with the Festival Committee, the Soviets, and the Festival in order to help make the project a success. The Agency is prepared to provide $400,000 directly to the Festival Committee and $600,000 to artists and companies who will participate in the program. We, of course, will consult with the Festival Committee on this latter point.

There are serious concerns on the Soviet side about how delays and changes of plan may affect the Festival. We are working with Ms. Caldwell to obtain more information about her proposed budget and plans. Issues of funding and organization must be resolved soon if the Festival is to begin even as early as the fall of 1990.

Position Cuts in Western Europe

QUESTION:

Why does USIA think it needs to cut one American in Yugoslavia and another in Vienna, and add no one to the Soviet Union and East European areas, when you have 145 Americans in Western Europe? Is a reduction of two, one at OECD and another in Italy, all you can propose in Western Europe?

ANSWER:

Since 1988 we have added positions to the Soviet Union and East European areas, and we plan to add a substantial number more. For the past several years, Western Europe has taken most of the budget reductions imposed on the entire European area, to preserve our smaller operations in Eastern Europe. However, in light of the historic transformations in U.S. relations with Western European allies and friendly nations, it is also important to maintain key exchange and information activities in this area of vital interest to the U.S. This is why we believed it necessary to propose for consideration in this budget submission the possibility of cutting one American position each in Yugoslavia and Vienna.

Since 1986 we have eliminated 20 American positions in Western Europe, or more than 14 percent, due to the combined effect of budget reductions and reprogramming in recognition of shifting priorities to East Europe. Four of the 20 positions eliminated in West Europe have been reprogrammed to cover expanded staff requirements in East Europe. In addition, a number of USIA Washington program offices have shifted resources from Western European activities to expand into Eastern Europe. If more resources are not made available to the Agency to cover the requirements for the East European expansion, inevitably the requirements will have to be met from existing resources, including Western Europe and other areas.

USIS Vatican Program

QUESTION:

Instead of cutting one from Italy, why don't you eliminate the position at the Vatican, as USIA originally proposed to do last year? The Embassy at the Vatican may have been helpful in apprehending Noriega, but what does the Public Affairs office do that can't be done at the Embassy in Rome?

ANSWER:

American Ambassadors to the Holy See have argued that the USIS operation is essential to the success of their mission. These ambassadors do not conduct bilateral affairs with the Italian government in Rome. For that reason, the public affairs concerns and requirements of their mission are different from those of the Rome Embassy.

USNATO

QUESTION:

Everybody is computing a peace dividend. Could we not include a reduction of the five positions USIA maintains at NATO?

ANSWER:

While the role of NATO is clearly changing to reflect political developments in Europe, the importance of that role is by no means diminishing. Indeed, the public affairs challenge facing NATO is greater now than it has been in recent years. In his speech last December to the Berlin Press Club, Secretary Baker outlined an enhanced political role for the alliance--including arms control verification responsibilities, increased consultation on regional issues, promotion of economic and political ties with Eastern Europe, and extending the umbrella of European security to the member nations of the Warsaw Pact. The NATO Alliance continues to be the pillar of U.S. European policy, and a strong, vigorous NATO is vital if the United States IS to play a meaningful role in developments on the continent.

The five USIS positions at USNATO include three foreign service officers and two foreign service secretaries. Because of security requirements, we employ no foreign nationals at the mission--all the USIS work at this busy and important post is performed by American foreign service personnel, including that which, at other posts, would be done by locally-hired staff. USIA eliminated two FSO positions from USNATO in 1987. We do not believe we could meet our responsibilities to ourselves and our allies by further reductions.

Staffing Needs for Eastern Europe

QUESTION:

Given both budgetary constraints and the lengthy process of hiring/training officers, where will additional staff resources be obtained (near-term and long-term)?

ANSWER:

We expect to be able to draw on existing staff in meeting the additional requirements of our Eastern European programs and not resort to outside hires. We have Foreign Service Officers available with the required professional skills and familiarity with Agency programs. How soon they can be placed in these new positions will depend on whether or not they also have the required language skills. In most cases it would still be faster to provide a full language training course (e.g., 44 weeks in Czech or Bulgarian) to a current employee than to recruit an outside candidate, obtain medical and security clearances, and provide orientation on Agency programs.

Hiring Freeze

QUESTION:

With the budgetary problems that have plagued USIA in recent years, has there been or is there now a hiring freeze? Are people being hired to replace staff lost through attrition? Were these critical positions?

ANSWER:

In early February 1990 we eliminated most of the exceptions to the limited hiring freeze which had been in effect since 1986. The only remaining, significant exceptions are for engineering and technical positions in VOA'S modernization program, high turnover in clerical and other lower grade positions, and Foreign Service Junior Officer Trainees. Otherwise there is no outside hiring to replace staff lost through attrition.

Radio in the American Sector of Berlin

QUESTION:

USIA is eliminating one of the three American positions for Radio in the American Sector of Berlin (RIAS) during 1990. When the staff visited RIAS in

November they were doing a great job with all the East German youth that were streaming into West Berlin. The recently RIAS 2 broadcasts have wide appeal with all German youth. In addition, USIA has invested $12,000,000 to provide state-of-the-art facilities for RIAS TV. Which position is to be eliminated and why?

ANSWER:

The three American positions at RIAS in 1989 were Director, Deputy Director (Radio) and Deputy Director (Television). We plan to eliminate the Deputy Director for RIAS-TV slot. This position was filled initially in May 1988 specifically to manage the technical start-up and operations of this new initiative. The position was vacated in the summer of 1988 and has not been filled since that time. The start-up phase of RIAS-TV has been completed, and we believe the two remaining officers can adequately oversee and direct RIAS's radio and TV operations. One has total responsibility for RIAS oversight and direction, and the other is dedicated to the oversight and direction of RIAS-TV.

Tibetan Service

QUESTION:

The Foreign Relations Authorization Act requires VOA to establish a Tibetan Broadcast Service. How much will that cost and how far along are you towards implementing that requirement?

ANSWER:

A two-hour a day Tibetan service will cost approximately $1,000,000 a year. We are in the process of recruiting a service chief and broadcast staff. USIS posts in Nepal and India are assisting in this effort. VOA has also advertised for candidates in major national publications and through the academic community. We expect to begin Tibetan broadcasts in September 1990.

Consolidation of International Broadcasting

QUESTION:

Do you believe that the time has come to look at the consolidation of all U.S. Government funded international broadcasting activities under one Federal agency to make them more efficient through the elimination of duplication in administrative functions, reduce program overlap, and sharing of technical and physical facilities?

ANSWER:

The President has recently directed a review of the future of all international radio and television broadcasting. This review will consider the very unique mandates and missions of each of the U. S. international broadcast services and provide recommendations on a number of issues, including the advisability and consequences of a consolidation of these activities.

Administration Plans

QUESTION:

Does the Administration have any plans to look at the future of U.S. international broadcasting? If so, what are the plans?

ANSWER:

As noted in the answer to the previous question, the President has directed a review of the future of all U. S. Government international radio and television broadcasting. The review will cover VOA, USIA TV, RFE/RL, Radio and TV Marti, and RIAS Radio and TV. USIA will participate -- along with other appropriate agencies -- in this assessment.

VOA Personnel Practices

QUESTION:

GAO reported in 1989 (GAO/NSIAD-89-160, Voice of America selected personnel practices warrant management attention) on a number of personnel problems and made a number of recommendations to which you generally agreed. What actions have been taken to each of the following and can you be specific?

A. Improve Time and Attendance Control.

B. Determine if artificial barriers are contributing to the under representation of women and minorities and then taken the necessary steps to increase the representation of women and minorities, especially at the senior levels.

C. Create a central unit to review and approve the use of Purchase Order Vendors to ensure that you comply with federally-prescribed standards in awarding contracts to vendors.

D. Assess personnel practices in the areas of pay and classification of broadcasters and the employment of non-citizens.

E. Review the use of Radio Marti's schedule B Hiring Authority to ensure that those hired under that authority have the required knowledge of Cuba and that all positions designated to be covered by the authority are warranted.

ANSWER:

A. Improve Time and Attendance Control -- The report outlined several initiatives that VOA has taken to ensure compliance with time and attendance regulations and noted that VOA is moving in the right direction in correcting problems. In addition, the VOA Director has implemented a "zero-tolerance" policy with respect to time and attendance abuse, and a number of disciplinary actions have been taken against individuals found to be abusers. Further, the performance standards of VOA managers reflect their responsibility for enforcement of time and attendance rules. Managers are regularly reminded of their responsibility in this area. VOA will continue to provide periodic formal training to all supervisors. VOA personnel conducted a thorough review of policies governing overtime and time and attendance, including straight-eight-hour shifts. Changes are being studied to better adapt Government-wide regulations to VOA's unique operating environment, clarify the guidelines involved, and facilitate enforcement. A computer assisted security system has been implemented at VOA, making it easier to monitor time and attendance abuse on the weekends and evening shifts.

B. Under-Representation of Women and Minorities -- VOA is continuing to target recruitment efforts to groups and institutions which include large numbers of minorities and women. As an example, VOA recently sent representatives from its personnel office to Alabama to attend a conference of black universities and to New York to attend a conference of black journalists. At both conferences, VOA was successful in identifying candidates for a number of intern and full performance level positions and is vigorously pursuing these individuals.

VOA is also currently evaluating the application and selection processes. In that regard, VOA is analyzing career paths within VOA to identify those experiences and skills which appear to result in advancement and will ensure everyone is given equal opportunity to gain them. VOA has strengthened its relationship with USIA's Office of Equal Employment Opportunity and is working with them to identify affirmative action goals and strategies. The VOA Director has emphasized to VOA senior management that EEO is a critical part of their jobs, and that he expects to see qualified women and minorities increasingly represented at senior and middle management levels. Within this past year, the VOA Director appointed the first woman to VOA's Senior

Executive Service and made several other key appointments of women in the senior ranks.

C. Use of Purchase Order Vendors -- VOA's Office of Administration has been designated the central unit within VOA responsible for oversight to ensure compliance with established policies and procedures regarding the use of POVs. An individual has been appointed to fill the position of POV Coordinator in the Office of Administration. The Office of Administration will centrally control the review and approval of many aspects of the use of POVs. VOA has begun quarterly publication of VOA's unique foreign-language related contract services (POV) requirements in the Commerce Business Daily. In addition, the possible use of other publications will be evaluated as a means of providing even wider dissemination of our requirements for POV services.

All requests for contracts in excess of $25,000 (or for services of an individual contractor when it is anticipated that the cost of services might exceed $25,000 during the fiscal year) will be reviewed for compliance with FAR regulations by the POV Coordinator. A proposal to centralize all of VOA's small purchase activity within the Office of Administration is currently being developed. Pending a final decision on this matter, oversight of POV procurement activity will be accomplished through (a) periodic review of administrative officers' POV contract files and (b) implementation of a data base which will be used to track the level of service provided by individual contractors. The POV Coordinator will review all requests for the use of former employees (within two years of their departure from the Agency) or of relatives of current employees and take action to obtain appropriate approvals under existing internal regulations.

Having taken the actions indicated, it must be noted that because it is very difficult to find qualified contractors, VOA must use available resources to accomplish its mission while continuing to expand its effort to identify additional sources for these essential services.

D. Pay, Classification, and Employment of Non-Citizens -- Under the direction of VOA's personnel office, a VOA committee was established to review pay system proposals. VOA has also developed possible legislation to afford greater recognition of performance and contribution in the pay-setting process. VOA's personnel office has also undertaken a comprehensive review of the employment policies for its non-U.S. citizens. In concert with the Agency's General Counsel, VOA is developing a better regulatory structure for making employment decisions, responding to concerns expressed by its non-U.S. citizen employees. VOA's revised approach will afford these employees greater stability in employment and will clarify the parameters of their appointments with VOA. The Agency will examine proposed legislation, drafted by VOA, which addresses the problems VOA has had with visas for its non-U.S. citizen hires.

E. Radio Marti Hiring Authority -- Radio Marti's personnel office has initiated a review of all Schedule B positions to determine whether successful performance in the job requires pre-existing knowledge of Cuba. Upon completion of the review, the Director of the Radio Marti Program will certify in writing to the Director of the Voice of America that he has reviewed the qualification requirements of the positions designated as covered under Schedule B authority and identify which positions should be retained under this authority. Action will then be taken to move to the competitive service those positions which can no longer be justified as excepted service positions. This reporting will be an annual requirement.

Dixon Relay Station

QUESTION:

Do you have plans to dispose of the Dixon Relay Station? How much does it cost to keep it in mothball status? Why not dismantle and dispose of the land, etc.?

ANSWER:

There are no current plans to dispose of the Dixon Relay Station. The estimated cost to keep it in operation for FY 1990 is $175,815. We continue to maintain the site in Dixon as a backup in the event we are unable to continue current operations from the Philippines Relay Station.

Management of VOA

QUESTION:

Mr. Gelb, you recently received a report by the Levinson Institute that says that 35 percent of VOA's managers "will be ready to retire within the next 5 years." Do you find that startling and what plans does USIA have to see that those managers are replaced by equally competent people?

ANSWER:

I do not consider it startling that about 35 percent of VOA's managers will be eligible to retire within the next five years as managerial positions tend to be filled by individuals with many years of experience.

We are very aware of this fact and are continually preparing ourselves to meet the challenge.

We look both within and outside the organization for successors and are very selective in filling managerial positions. We also provide our supervisors, as well as managers, with a broad range of training and developmental experiences to ensure we have competent managers tomorrow as well as today.

We already have a large, talented, and experienced group of team leaders, editors and supervisors within VOA. This group typically supplies a large number of very well-qualified candidates for managerial openings.

Our concern for having a good group of managerial candidates begins with a serious focus on supervisory skills and potential in making selections for our first and second-line supervisors, carefully evaluating their subsequent performance, and encouraging them to take advantage of training and developmental opportunities such as details and working on special projects which will help prepare them for managerial responsibilities.

We also look for outside candidates when openings occur in our senior positions and conduct extensive recruitment efforts to ensure we make selections from among the best available candidates, inside and out.

Our single greatest concern has been with the aging cadre of Foreign Service specialists who manage our eleven overseas relay stations. To meet this challenge, we have recruited three classes of new specialists (more than 30 specialists) over the past five years. Most are already serving at our stations gaining the experience needed to be successful managers. These specialists, along with a number of existing specialists, have been sent through an intensive six month training program designed specifically for VOA, which includes a heavy emphasis on the development of supervisory and managerial skills.

In addition to this very specific training program, we provide a broad range of training to our supervisors and managers, including New Supervisors Workshops, basic ten day Executive Skills Workshops, five-day Advanced Executive Seminars, and supervisory and managerial roundtables which focus on such particular topics as performance management, disciplinary issues and managing different cultures. These programs are tailored to VOA's particular needs.

We also provide more generic EEO classes and management training from the Office of Personnel Management, the American Management Association, universities and other organizations.

We believe these measures and our continuing efforts to address this critical concern will continue to supply us with the competent managers needed to carry out VOA's mission in an effective and efficient manner in the future.

J-1 Visa Program

QUESTION:

There are approximately 150 VOA employees in the United States on J-1 Visas. According to the Levinson Report, being on J-1 Visas "makes their positions tenuous and them restless." I understand that VOA employs these people to bring authenticity to the Foreign Language Broadcasts. After all these years, isn't it time for these people to become U.S. citizens?

ANSWER:

The Voice of America (VOA) employs non-U.S. citizens as foreign language broadcasters only when we are unable to find equally qualified U.S. citizens. These employees are highly valued. Without them many of our services would go off the air. However, their initial employment is necessarily somewhat tenuous.

They are hired using the temporary, nonimmigrant Exchange Visitor (J-1) visa, with the initial understanding that their stay in the United States will generally be temporary and limited to no more than ten years. Candidates are thoroughly briefed on this situation when they are offered employment.

We do sponsor some of these employees for immigrant (permanent residence) visas based on VOA's needs and the individual's performance. Every J-1 visa holder is considered for sponsorship after his or her first three years with VOA.

Of the 145 J-1 visa holders currently employed by VOA, 88 have been employed for three years or longer. The vast majority of these (80 percent) have been sponsored for permanent residence. Once an employee has obtained permanent resident status, they are free to pursue citizenship.

We appreciate the special concerns of our non-U.S. citizen employees. We provide them with benefits and services, such as settling-in allowances and assistance and return travel and transportation, which are particularly designed to address the initial temporary nature of their employment. Other benefits generally parallel those of citizens, and we are continually reviewing our existing policies to determine how they might be revised in the interests of both the Agency and the employees.

VOA Modernization Program

QUESTION:

The fiscal year 1991 request includes a total of $125 million to continue the VOA technical upgrade and expansion program. How many of the modernization projects have been started? How do the actual cost and completion dates compare with the estimates? How much more will VOA need to complete its modernization program?

ANSWER:

Following is a summary of the status of each Modernization project:

1. Morocco - Contracts for facilities construction, transmitters, and satellite earth stations have been awarded. These contracts are progressing well with facilities scheduled for completion in early 1991, and transmitter and earth station site work to begin in the fourth quarter of FY 1990. The Morocco station is scheduled for completion in the fourth quarter of FY 1992 at an estimated cost of $225 million. This is within the budget projection.

2. Thailand - A facilities construction contract has been let. In addition, contracts are progressing well for the fabrication of shortwave transmitters and the installation of commercial power. The facilities work is scheduled for completion in the third quarter of FY 1991, and the transmitter work will begin during the first quarter of FY 1991. The Thailand station is scheduled for completion in the third quarter of FY 1993 at an estimated cost of $137 million. This is within the budget projection.

3. Belize - A contract for construction of the permanent relay station was awarded in 1988, and the Satellite Interconnect System was installed in January 1990. The permanent facility construction is scheduled for completion in the third quarter of FY 1990 at an estimated cost of $20,298,000. This is within budget projections.

4. Wertachtal - VOA uses four new 500-kilowatt transmitters leased from the Deutsche Bundespost (DBP) (West German Post and Telecommunication Ministry). On the average, DBP broadcasts 48 hours a day of VOA programs in 17 languages to Eastern Europe, South Asia, the Soviet Union, North Africa, and the Middle East.

5. Liberia Power Plant - We have awarded a $9.3 million contract for the installation of four new 2.5 megawatt diesel engine generators, new mechanical and electrical equipment, and repairs to

the power plant building. In January 1990, a $1.0 million contract option was awarded for the renovations to the power plant building. The refurbished power plant is projected to be operational in mid-1991.

6. Sri Lanka and Botswana Refurbishments - The FY 1991 budget includes $1.3 million for the Architect and Engineering (A/E) design for the refurbishment of Sri Lanka and Botswana. Following the design will be the procurement of major equipment and its installation and contracts for facility construction.

7. Maintenance and Repairs - VOA's continuing maintenance and repairs program attends to the immediate needs of VOA's present broadcast production, transmission, and program administration. The FY 1991 request is for urgent, but relatively smaller scale maintenance, repair, and capital improvement projects that are outside the scope of longer term major construction objectives.

Unless FY 1990 funding limitations imposed by Section 614 of the 1990 Appropriations Act are removed and VOA can proceed expeditiously with the award of the antenna subsystem contract, completion dates for Morocco and Thailand will slip from the 4th quarter of FY 1992 to the 2nd quarter of FY 1993 for Morocco and from the 3rd quarter of FY 1993 to the 3rd quarter of FY 1994 for Thailand. To complete these projects, VOA would need $62 million for completion of Morocco and $77 million for completion of Thailand in FY 1991 through FY 1994.

In line with approved modernization policy and in lieu of building new stations, VOA will emphasize refurbishment of existing ones to improve network coverage. Even after the new transmitters are on the air in Israel, Morocco, Thailand, Belize, and Germany, the average age of the network transmitters will still be over 20 years. Just to keep the transmitters and antennas from aging further, an annual investment of about $75 million will be needed for replacements. Likewise, maintenance of new and existing facilities needs more attention. The VOA transmitter network would cost over $2 billion to replace, and VOA now spends about $5 million a year on maintenance and repairs. An annual repair budget of $20 million a year would allow proper maintenance of the aging network.

Impact of Modernization on Staffing

QUESTION:

What impact will the Modernization Program have on staffing? Will it reduce staffing needs or will you be seeking some additional staff with different skills?

ANSWER:

Overall VOA staffing levels have declined over the past few years to be brought more in line with the current streamlined modernization policy to bring the two new major facilities on line (Morocco and Thailand) and maintain the global broadcasting network. No additional staff is currently anticipated.

Inspector General Reviews of VOA Modernization

QUESTION:

How much time is being devoted by the Inspector General's (IG) staff to monitoring and evaluating the Voice of America Modernization program? Has the Inspector General conducted any evaluations or audits of the Modernization program in the last three years? What were the findings and what was the corrective action taken? If no evaluations or audits have been conducted, why not?

ANSWER:

The Office of Inspector General (OIG) has devoted a significant amount of its resources to monitoring and evaluating the Voice of America (VOA) Modernization program. The Office of Inspector General has conducted three major evaluations of the Modernization program because of its sizeable budget, importance to the Agency's mission, and concerns about the program's progress raised by the Congress, and union representatives.

An August 26, 1987, classified report titled Status of a Voice of America Relay Station (I-87-13), presented an assessment of the justification for a new modernization relay station in Costa Rica. The report made recommendations to reassess the need for completing the station and for improving its operations. The Voice of America subsequently closed the relay station in 1989.

A March 25, 1988, report titled Review of Voice of American Relay Station Modernization Program (A-88-04), assessed the program's cost, schedule, and status. The report stated that as a result of particularly severe funding constraints, the program had been significantly reduced, and its original objectives may no longer be met. Accordingly, the report recommended that the Voice of America develop an Agency strategy to resolve, with the Office of Management and Budget and the Congress, the appropriate program funding level while only incurring minimal costs for projects not explicitly supported by the Office of Management and Budget. The Voice of America agreed and worked to develop the currently approved streamlined modernization program.

A March 28, 1988, report titled Review of Selected Voice of America Broadcast Renovation Projects (A-88-08), was prepared in response to a letter from Senator Jim Sasser regarding specific union allegations concerning the management of selected Voice of America headquarters broadcast renovation projects. The Office of Inspector General found that, overall, there was no evidence that actions taken by the Voice of America with respect to these projects constituted wasteful practices or mismanagement.

Currently, the Office of Inspector General is reviewing the establishment of Voice of America's new Morocco and Thailand relay stations. This review is focusing on the recycling of tax refunds, financial reporting and the stations' cost and schedule.

Country Agreements

QUESTION:

Does VOA have long-term agreements in countries where construction planned for new or to modernize present facilities has been halted? What are the terms (lease, ownership, other) for these relay station sites? Can the agreements be cancelled? Does VOA have other land leased that is not currently being used to broadcast transmission and if so what is the cost?

ANSWER:

Under the original 1983 modernization plan, agreements were negotiated between VOA and the governments of Antigua and Grenada for the construction of permanent medium-wave stations to enhance VOA's broadcasts to Central America and the Caribbean. The Antigua site is leased from the Government of Antigua, and the Grenada site is owned by VOA. In line with the approved streamlined modernization policy adopted in 1988, these projects were cancelled for both programmatic and budgetary reasons. Cancellation of the agreements would require re-negotiation with the host country governments with varying degrees of complication, and it is unlikely that we would fully recover the payments (albeit it small) that we have made under these agreements.

In addition, VOA initially planned to construct a new high-power shortwave/medium wave station in Botswana and a shortwave station in Sri Lanka, and negotiated agreements with the host governments for this purpose. These projects have also been modified as part of the new streamlined modernization plan.

The present VOA relay station in Sri Lanka, which is leased from the Sri Lanka Broadcasting Company, is severely underpowered and antiquated. While the plans to build a new shortwave station with seven 500 kW transmitters have been cancelled, we are still planning a refurbishment of the existing station, including the replacement of the small transmitters with new, high-powered transmitters and associated antennas, to enhance broadcasts to China, Southern and Eastern Africa, and South Asia.

In Botswana, VOA initially negotiated an agreement to construct a new shortwave/medium wave facility to replace the existing medium wave station in Selebi-Phikwe, which must be turned over to the Government of Botswana not later than March 1995. In keeping with the current modernization plan, we have modified these plans and now plan to build a new medium wave station at a new site in Moepeng Hill. This station will include more powerful transmitters (compared to the existing 50 kW transmitter) and a new high-gain antenna which will make VOA's signal more competitive in this media-rich target area.

Expiration of U.S. Rights

QUESTION:

What assurance do you have that the overseas facilities can be completed and operated for a reasonable period before expiration of U.S. rights to the sites?

ANSWER:

Before VOA makes a substantial capital expenditure in an overseas facility, we negotiate a long-term agreement (typically 25 years with an option to extend an additional 25 years) with the host country.

Potential Delay of VOA Construction Projects

QUESTION:

Can VOA Construction projects be delayed to allow for a study of the future of U.S. international broadcasting? What would be the consequences?

ANSWER:

Technically, yes, any project could be delayed or stopped. However, the consequences of such action would be enormous. The consequences beyond the time lost would be devastating in monetary terms, host country relations, and VOA staff retention. To delay the ongoing work of the streamlined modernization program at this time would cost tens of millions of dollars. These costs would stem from direct escalation costs and contract delay claims on existing contracts. VOA presently has 17 active contracts with a current dollar value of over $170 million. It is easy to see that any delay in this program would cause a large escalation figure and an inordinate number of contract claims.

VOA has entered into government-to-government agreements with each of the host countries where VOA's new stations are being built and has promised to furnish broadcast facilities to these host countries for their state radio broadcasts. In some cases, this includes turning over the existing in-country VOA relay station where a new relay station is replacing an existing station. In other countries, VOA has promised to broadcast state radio programs from the new relay station. Some of these countries have been waiting patiently for this quid pro quo.

Another consequence of any delay or stoppage, and one which is hard to quantify, would be an exodus of highly trained and sought-after VOA engineering staff that has been assembled over the years specifically for the modernization program. The "corporate knowledge" lost to such an event would take years to rectify and would add to both cost and time to complete VOA's effort to upgrade its radio relay station network.

Cost of Radio Marti Facility

QUESTION:

You are requesting $600,000 to purchase land in Marathon, Florida to build an additional transmitter facility. What is the projected cost of this project? Is this included in the Modernization Program? What is the timeframe for this facility?

ANSWER:

The cost for construction and the purchase and installation of new equipment and a new multi-tower system is estimated at $3 to $3 1/2 million.

This total is justified and funded in a separate appropriation account and is not included in the VOA modernization project.

The timetable for the facility is currently undefined. The schedule depends not only on funding but also on the ability to purchase the desired radio station license (on the appropriate frequency) and the ability to purchase the identified property or comparable property within the same area.

Educational and Cultural Affairs

QUESTION:

While the budget shows that Educational and Cultural Affairs is being funded at approximately the same as fiscal year 1990, in actuality it is taking a serious cut to meet inflationary costs. Have you assessed all your Educational and Cultural Affairs Programs and prioritized them in order to arrive at this budget request?

ANSWER:

The projected $4,376,000 reduction in 1991 is applied proportionately to Academic Exchanges (66%), $2,888,000; International Visitors (29.2%), $1,278,000; and Private Sector Programs (4.8%), $210,000. No reduction was applied this year to the Hubert H. Humphrey Fellowship Program and the Congress-Bundestag Youth Exchange Program.

Student Support Services

QUESTION:

USIA is requesting $2.2 million for student support services to aid the approximately 366,000 foreign students in the U.S. These are mostly non-government sponsored. Why is this assistance the responsibility of USIA? Is this not an activity more suited for the private sector? How many staff positions are devoted to this activity?

ANSWER:

The same legislation that authorizes the Agency to administer the Fulbright Academic Exchange Program (Mutual Educational and Cultural Exchange Act of 1961) also assigns USIA the responsibility to assist non-U.S. Government-sponsored foreign students to gain maximum benefit from their U.S. educational experience. Many international students will return home to positions of leadership in their societies, and it is, therefore, in our national interest to help ensure that they have worthwhile experiences while here. USIA has encouraged and supported, in cooperation with private, non-profit organizations, a variety of programs that promote effective educational experiences. Programs assist prospective foreign student in making decisions about their U.S.

educational goals and also help ensure that U.S. campuses and communities properly serve foreign students and Americans wishing to study abroad.

The assistance the Agency gives non-sponsored foreign students covers a wide range of overseas and domestic programs and services. These help ensure that some 1.6 million foreign students annually have access, in their countries, to accurate, up-to-date information about U.S. higher education, including curriculum, admissions requirements, testing, financial aid, etc. and that U.S. campuses effectively service international students. Of the total program, a staff of 3.2 FTEs, at an annual cost of $138,058, administers a grant program and acquires products and services budgeted at $2.2 million.

Book Programs

QUESTION:

USIA is requesting $3.0 million for its Book Program. Why should USIA be assisting the commercial book industry at a time when you are cutting your foreign language broadcasts?

ANSWER:

USIA does not provide subsidies to the U.S. book industry. USIA does support the translation of key American books into foreign languages as a way of explaining America's foreign policy and the broad political, economic, and social values that support our institutions.

The bulk of our support ($2,400,000 out of the $3,000,000 total) consists of buying copyright permission from the American rightsholders (the average cost is $650 per book), and guarantees to the foreign publishers that the U.S. government will buy back 400 to 1,000 copies of the initial print run. Using this method of operation, USIA enabled some 255 titles, totalling 747,900 books, to be translated or reprinted into 15 languages in FY 1989. These books were sold to overseas publics through regular commercial channels, but at prices affordable on local markets. USIA uses the buy back copies in its own programming overseas, through book donations to key institutions such as national libraries and university faculties and in support of our overseas Fulbright, Ampart, and Worldnet programs.

The books we promote are primarily serious, scholarly books that would not be translated and distributed without USIA support. Last year we supported the translation of writers such as Lawrence Klein, Mortimer Adler, Richard Hofstadter, Peter Drucker, John Gaddis, Ronald Dworkin, Robert Dahl, E.S. Savas, and Karl Deutsch.

The remainder of our program works through non-profit organizations to increase the flow of donated books to needy Third World countries, and through exhibits of the finest American books (in our program categories) in book exhibits, international book fairs, libraries, and universities throughout the world.

USIA Private Sector Exchanges vs. NED Programs

QUESTION:

Does the $8.9 million requested for the Private Sector program duplicate the other programs and those being carried out by the National Endowment for Democracy?

ANSWER:

We don't believe that there is duplication.

The USIA Office of Private Sector Programs awards grants to U.S. non-profit organizations to support the international exchange objectives of the United States by stimulating and encouraging increased private sector commitment, activity, and resources. The Office is a networking instrument that serves to link international exchange interests of U.S. private sector non-profit institutions with counterpart institutions and organized groups in other countries. The Office accords priority status to international projects involving leaders or potential leaders in various fields and professions. The projects funded by the Office are designed to introduce American and foreign participants to one another's traditions, arts, social, economic and political structures, and international interests.

Although the National Endowment for Democracy also works with private sector groups, its focus is entirely different from that of USIA's Office of Private Sector Programs. NED is an independent organization whose purpose is to promote the development of democratic institutions abroad.

Although it is possible that in the course of this work, individuals and groups in other countries may come to understand more about the workings of American democracy, NED's purpose is providing the infrastructure to enable indigenous groups abroad to develop institutions appropriate to their own particular environment.

J-1 Visa Educational and Cultural Exchange

QUESTION:

GAO just issued a report on USIA's administration of the use of the J visa. (U.S. Information Agency: Inappropriate Uses of Educational and Cultural Exchange Visas, GAO/NSIAD-90-61, February 16, 1990). GAO reported that (1) activities of some participants were inconsistent with legislative intent, that is, participants were not engaging in educational and cultural activities consistent with the Act; (2) the J visa regulations were vague and not comprehensive enough to ensure compliance with the J visa statute; and (3) improvements were needed in several areas in the management of the use of the J visa for educational and cultural exchange. It reported that some of these inappropriate activities and deficiencies had been going on or had existed for many years.

How did the program come to be in such sad state of affairs and why has the Agency not corrected the situation?

ANSWER:

The exchange visitor program consists of approximately 2,200 organizations and institutions which sponsor some 175,000 participants per year. While the overwhelming majority of these exchanges is conducted in full conformity with USIA regulations, some programs prior to 1988 were improperly designated or inadequately supervised.

The Agency became aware in 1988 that administrative errors had been made and, in some instances, unintentionally perpetuated. The GAO, with USIA's help, identified specific activities that are inconsistent with this Agency's legislative mandate and made a number of recommendations to correct deficiencies in administering the program. Many of the specifics referred to in the report had been identified by the Agency before the requirement of a GAO study and, in fact, USIA attempts to correct one of the major deficiencies -- au pair -- led to the requirement of the study. Other problems became known to the Agency during the GAO review process. Correction of these and other problems cited in the report are a matter of high priority for us and they will be corrected.

USIA Response to GAO Report on J-1 Visa Program

QUESTION:

What does the USIA plan to do in response to the GAO report? What does it plan to do about the inappropriate activities? The deficient regulations? What are USIA's plans to improve the inadequate management of the use of the J-1 visa for educational and cultural purposes?

ANSWER:

The Agency has already begun to address the concerns raised in the GAO report. Specifically: exchange program policy is being reexamined; a task force is being formed to revise existing exchange visitor regulations to ensure compliance with legislative intent and purpose; and a management review and systems analysis of the exchange visitor program staff and database is underway.

J VISA Use by Voice of America

QUESTION:

Does USIA's use of the J visa for the Voice of America broadcaster comply with the legislative intent?

ANSWER:

The special knowledge and expertise required by the Voice of America for its broadcast service is in keeping with the legislative mandate. The Agency is addressing the duration-of-program issues with a view to conforming it to the intent of the law.

Length of Tours for Overseas American Staff

QUESTION:

In this time of budget constraints, have you given consideration to lengthening the tours of those stationed overseas? What impact would this have on your operations?

ANSWER:

No, we have not. The current Tour-of-Duty guidelines provide a workable balance among various Agency needs as well as the morale of our employees and their families.

The cost of frequent turnover is admittedly high -- particularly at "greater hardship posts" where the minimum tour is two years. We consider this option an essential recruitment incentive. However, many officers assigned to these posts ask for tour extensions once they have settled in; and we almost always grant their requests. We find this flexible approach better than automatically requiring a minimum of three years.

At the other end, we would be very reluctant to exceed the current four-year limit on tours at non-hardship posts. We believe that our programs benefit from periodic infusions of new ideas and that officers benefit from changes in the nature of the professional and cultural challenges they face. Just as important, however, tying up non-hardship assignments (particularly in Western Europe) for even longer periods of time would have a negative impact on the morale of officers who look forward to a respite from the rigors of hardship posts.

USIS Program in Japan

QUESTION:

Why is there a need to have 20 American and 117 Foreign National positions in Japan? How does this compare with USIA posts in other key countries?

ANSWER:

In addition to our principal office in Tokyo, we maintain six branch posts in Japan. The world's second economic power with a GNP and population about twice that of West and East Germany combined, Japan is supremely important to the U.S. Given the paramount importance of our trade, political and security relationship with Japan, it is imperative that Japanese policymakers and opinionmakers be kept well informed of the views of the U.S. government and of influential Americans. Moreover, the U.S. government needs to be kept informed of the views of our best Asian ally and key trading partner through USIS Japan's frequent media reporting.

We need staffing sufficient to execute operations critical to American interests. The Tokyo Information Section deals with the world's largest media. While Japan is information-rich, it also tends to be misperception-rich, which means USIS has much to do. That the Japanese media has taken an even-handed, even favorable, view of American trade stances is due in large part to the skill and effectiveness of USIS Japan in presenting American views to the media and to the opinion-making elite. Because English is a very difficult language for most Japanese, we must provide interpretation for press conferences and speeches by administration officials and visiting CODELs, as well as translations of our extensive written materials. We therefore need to have full-time interpreters and translators available. The post's exchanges program is one of the Agency's largest, and its management requires several Japanese-speaking officers and foreign national assistants.

Lastly, a sizable branch post operation is an absolute necessity in Japan. For example, the USIS officer and his nine foreign national employees in Fukuoka are responsible for the entire island of Kyushu, which has a population larger than Australia's, a GNP the size of Spain's, and more U.S. military forces than Greece, Turkey, Portugal or Holland.

Compared to other key USIS posts -- even those with sizable branch operations -- USIS Japan with 20 Americans and 117 foreign nationals is certainly not overstaffed. Ideally, we would like to increase our staffing in Japan, but budget constraints have forced us to reduce it in recent years.

Post Staffing Level Criteria

QUESTION:

What criteria are used to determine the staffing level at each post?

ANSWER:

Staffing levels at USIS posts depend on a number of factors, including the size of the country, its importance to U.S. interests, the opportunities for useful programming and the nature of the programming environment, i.e., whether it is easy or difficult to operate in the country. USIA foreign service staffing is currently very tight because of budget restrictions which are forcing position cuts worldwide. We constantly review staffing to make the best of inadequate personnel resources. For example, in order to increase staff in Eastern Europe to meet the tremendous growth in demand for USIA programs, we have had to shift staff away from other areas, including Western Europe, where we also have strong interests.

Criteria for Domestic Area Office Staffing

QUESTION:

Likewise, what is the criteria for determining staffing levels of the domestic area offices?

ANSWER:

The domestic area offices are responsible for the administration and management of our overseas programs. Staffing levels are confined to the minimum necessary to perform these functions effectively.

Most of the resources in the geographic areas are placed in the field; of the 3,723 positions in the six area offices in 1989, a total of 116, or about three percent, were stationed here in Washington.

Criteria for staffing levels include total resources, personnel resources, number of country programs and posts, regional programs, and political environment. Using 1989 as an example, Africa, with the highest number of posts, has 25 positions in Washington, while East Asia, with the fewest, has 19. Position totals for the other areas include North Africa, Near East, and South Asia, 22; American Republics, 21; West Europe, 16; and Soviet Union and East Europe, 13.

Furniture and Office Renovations

QUESTION:

How much of this budget request for operations overseas is for furniture and office renovations? Can this cost be postponed?

ANSWER:

In FY-1989, we spent $1.8 million for renovation or relocation of USIA facilities overseas, including replacement of furniture and furnishings. We have already reduced our FY-1990 plan to $.8 by deferring much needed renovations. We believe our FY-1991 request of $.9 million represents a minimum amount necessary to maintain our facilities at an acceptable standard.

Overseas Security Expenses

QUESTION:

The budget justification on page 11-10 discussed the overseas security expenses. The justification noted that in fiscal year 1987 and 1990 USIA was provided $18 million and $11 million in no-year funds, respectively, to address USIA security requirements. What is the status of the projects to improve security for USIA facilities? How much of the no-year funds have been obligated? Have the security needs changed that would allow for these funds to be used elsewhere? Could the $291,892 request for fiscal year 1991 overseas security expenses be met from the no-year funds?

ANSWER:

Most of the projects funded in FY 1987 have been completed. The remainder are in construction. As of March 31, 1990, USIA has a remaining balance of $1.3 million, fully committed to meet change order contingencies on construction projects.

To date, we have not received most of the $11 million earmarked in the 1990 appropriations for USIA. On March 1, State provided $1.2 million to the Agency for security radios, armoring, metal detection and engineering services. State has indicated that they do not believe the balance can be provided until Section 614 of the 1990 Appropriations Act is repealed, but they are still reviewing the matter.

USIA's relatively modest security needs have not changed. We have taken a hard look at physical security standards and developed sufficiently flexible ones to adapt to differing local threat levels. We find that security incidents directed against USIA people and establishments continue to increase. A total of 163 incidents were reported for 1989, as compared to 142 for 1988 and 120 for 1987. The security enhancement monies made available to us so far have covered many projects, but in our view, a number of posts still lack adequate protection.

The small amount of overseas security funds included in USIA's 1991 budget request ($291,892) allows us direct management control of some security resources for use in emergencies. In addition, we fund travel costs associated with overseas inspections by USIA security officers to assess the protective posture of Agency facilities and services provided by State.

Impact of Foreign Currency Fluctuations

QUESTION:

What impact has the foreign currency fluctuation problem had on the operation of USIA? Has this resulted in any cut in programming?

ANSWER:

The U.S. dollar strengthened against most foreign currencies between November 30, 1988 and September, 1989 resulting in a projected 1990 net saving of $7.5 million. In light of the fact that USIA's 1990 budget request already contained cuts of $15 million, the Agency proposed to apply the projected currency savings to the 3.6 percent Federal pay raise scheduled for January, 1990, with an estimated 1990 cost of $6.9 million. However, Conference action on the Agency's 1990 Salaries and Expenses appropriation reduced the comparable Senate allowance by $12.5 million, including the full amount of the projected currency savings. Sequestration will remove another $3.5 million. As a result of all these factors and other changes, USIA had to reduce staff and program levels by $28 million in 1990.

Since September, the dollar weakened significantly and USIA has experienced a net 1990 loss within the S&E appropriated level of $2.8 million as of March 31, 1990. This amount, plus higher than anticipated costs for overseas wage scales, price and other mandatory requirements, will require the Agency to effect additional reductions of about $7 million in FY-1990.

Cash Awards

QUESTION:

USIA is requesting more than $2,900,000 for employee suggestion/cash performance awards for 1991.

What are the details of this request?

ANSWER:

These funds provide for payment of cash awards to Agency employees in recognition of superior performance, employee suggestions, and other incentive award programs. Specifically, it will provide:

-- $630,000 for payment of cash performance awards to Senior Executive Service (SES) and Senior Foreign Service (SFS) employees pursuant to 5 U.S.C. 5384, the Foreign Service Act of 1980, Section 405 (P.L. 96-465), and FPM Supplement, 296-33, Subchapter 29.

-- $556,000 for payment of cash performance awards to supervisory General Schedule employees assigned to GM-12 to GM-15 positions and covered by the Performance Management and Recognition System (PMRS) pursuant to 5 U.S.C. 5406 and FPM Supplement 296-33, Subchapter 29.

-- $1,451,000 for payment of cash performance awards to non-supervisory General Schedule employees assigned to GS-1 to GS-18 positions covered by the Performance Management System (PMS) pursuant to 5 U.S.C. 4506, and FPM Supplement 296-33, Subchapter 29.

-- $274,000 for all other USIA incentive award programs, including the Employee Suggestion Program, designed to reward employee efforts to improve Agency efficiency, economy, and effectiveness.

Employee Suggestion Program

QUESTION:

How much did USIA save from employee suggestions and where is that reflected?

ANSWER:

There have been no significant savings recently from employee suggestions. The suggestions adopted in FY 1989 and FY 1990 have dealt primarily with facilitative Agency services rather than products that would result in tangible monetary benefits.

New York City Housing Allowance

QUESTION:

Last year, USIA estimated that the New York City housing allowance would amount to $142,000 in Fiscal 1989. We now find that the actual costs were only $95,183.

What accounts for the difference and what did USIA do with the savings?

ANSWER:

The savings resulted from a decrease in the number of employees that were actually housed under the U.S. Mission to the United Nations (USUN) government-lease program last fiscal year (three instead of four). The savings were utilized by the Agency for other program requirements.

Decrease in NYC Housing Allowance

QUESTION:

The costs of this allowance dropped off from $150,000 in 1988 to $40,000 in 1990 and 1991. Is there something here that the State Department doesn't know that would reduce their allowances in New York City?

ANSWER:

The cost of the New York City housing assistance is directly related to the number of employees participating in the program. In FY 1988 four USIA officers participated. When the 1991 budget justifications were prepared, only one USIA official was scheduled to be housed under the government-lease program. Since that time another officer has been assigned and occupies a leased apartment. The additional $35,000 that will be needed for that individual's housing costs were not reflected in the $40,000 estimate.

Hawaii Benefits

QUESTION:

USIA also budgets $85,000 a year for service in Hawaii. How many personnel does USIA maintain in Hawaii and what are their duties?

ANSWER:

This $85,000 expenditure represents a 22.5% differential paid to officers assigned to Hawaii as compensation for the high cost of living at that location.

USIA currently maintains an International Visitor Reception Center in Hawaii. This office is staffed by three employees whose primary responsibility is to meet and program international visitors from the Far East.

Current plans are to close the International Visitor Reception Center later this year. The function of greeting international visitors will be continued by a local private international visitor organization as is presently done in numerous other locations, i.e., San Francisco, Dallas, Denver, etc. Although initially USIA will issue a grant for this purpose, we anticipate that, in time, the private organization will assume this function without continued funding from USIA.

In addition, USIA's East Asia and Pacific Program has a staff of three employees in Hawaii to conduct programs for the Pacific Island nations. Honolulu is the operational base to allow close coordination with CINCPAC, the East-West Center, and the Reception Center. This site is less costly than any other Pacific station, and provides the most efficient transportation facilities to the Pacific Islands. This program functions in most ways like a normal overseas USIS post. The office has established a modest mailing list for the Pacific Islands, receives and distributes by mail materials from the wireless file and carries out small exchange (IV, Fulbright, Humphrey) and representation efforts. The program's effectiveness depends on extensive personal contact. At least half of each officer's time is spent in travel status.

QUESTIONS SUBMITTED BY SENATOR WARREN RUDMAN

International Satellite Systems

QUESTION:

During last year's hearing we had a discussion about the fact that USIA has let a satellite contract to a Brazilian telecommunications company, EMBRATEL. As a result, the Committee included report language to direct the Agency to report by February 1, 1990, on its plans to "develop procedures to support and promote the use of separate international satellite systems." On March 5, the Committee received a letter which is, at best, a pro forma response to the report language.

For the record, please provide a more complete report to the Committee based on the direction in Senate Report 101-144.

ANSWER:

The Agency would like to assure the Committee, for the record, that all television satellite transmission services procured by USIA are based on full and open competition, when more than one source is available. The Agency has always adhered to this policy.

As we have previously indicated, when the Agency awarded the initial contract to EMBRATEL in 1986 to establish television transmissions to Latin America, there were no competitive alternatives available. The Committee correctly notes that competition is now available. The contract with EMBRATEL expires on September 30, 1991. During the first quarter of FY 1991 (October to December, 1990), USIA will initiate procurement action for full and open competition to select a successor contractor.

All other USIA contracts for satellite services have been based on full and open competition and will continue to be so. The Agency is required to conduct its procurements in accordance with the Federal Acquisition Regulations (FAR) which require full and open competition. Since the Agency concurs with the Committee's belief that full and open competition promotes and supports the use of separate international satellite systems, we believe that no separate policy or procedures need to be established by USIA. Indeed, it must be noted that the Agency has no authority to establish a policy which goes beyond or contradicts the FAR. For this reason, we have not developed separate procedures.

The attached list gives data on all the Agency's television satellite contracts. Every one, with the exception of the first contract with EMBRATEL for service to Latin America, was awarded competitively. The contract opportunity for the replacement contract for the network manager to Europe, Africa, and the India Ocean Region is being competed at this time. The competition for a successor contract for Latin America will begin between October to December, 1990, with an anticipated award early in 1991, for a service start of October 1, 1991, when the existing contract expires.

CONTRACT NUMBER	NAME OF CONTRACTOR	COVERAGE AREA	EXPIRATION DATE
IA-22424-24 (Awarded effective 7/1/86)	EMBRATEL Empressa Brasileira de Telecommunicales SA Ave. Presidente Vargas 1012 Rio de Janeiro - RJ, CEP 20, 071 BRAZIL	AR (American Republics)	9/30/91

The Agency's contract for video transmission to the America Republics is effective through September 30, 1991. During the first quarter of FY 1991 (Oct. - Dec. 1990), USIA will initiate procurement action for full and open competition to select a successor contractor with the award anticipated by the end of June 1991. Although the existing contract runs through September 1991, the June award will allow the successor to be "in place," ready to provide service when the existing contract expires.

IA2401-Q6242896 (Awarded effective 9/29/86)	Washington International Teleport 1133 21 St. N.W. Washington, DC 20036	See Narrative Below	9/28/91

The Agency's contract for licensed microwave uplink/downlink of domestic and international communications required for video transmission to the American Republic, is effective through September 28, 1991. During the first or second quarter of FY 1991 (October 1989 - March 1990), USIA will initiate procurement action for full and open competition to select a successor contractor with the award anticipated by the end of June 1990, to allow the successor to be "in place" and ready to provide service when the existing contract expires.

CONTRACT NUMBER	NAME OF CONTRACTOR	COVERAGE AREA	EXPIRATION DATE
IA2401-C7242959 (Awarded effective 3/31/87)	DIRE France Telecom Direction des Reseaux Exterieurs 246 Rue de Bercy - 75584 Paris, CEDEX 12, FRANCE	AOR/IOR Atlantic Ocean Region/ Indian Ocean Region)	9/30/90

The Agency's competitively awarded contract for video transmission to the Atlantic and Indian Ocean Regions (i.e., Europe, Africa, and Indian Ocean Region), expires in its entirety on September 30, 1990. An announcement was placed in the Commerce Business Daily (CBD) on January 19, 1990, advertising the recompetition opportunity for a Network Manager for Worldnet video transmission to the AOR/IOR area. The Request for Proposals (RFP) was issued March 28, 1990, to 75 interested firms.

IA2401-C8243196 (Awarded effective 9/30/88)	DTRE France Telecom Direction des Reseaux Exterieurs 246 Rue de Bercy 75584 Paris, CEDEX 12, FRANCE	POR (Pacific Ocean Region)	9/30/93

The Agency's competitively awarded contract for video transmission to the Pacific Ocean Region, including some areas of the Caribbean, is effective through September 30, 1993. USIA will initiate procurement action for full and open recompetition approximately one year prior to the expiration date of this contract in order to select a successor contractor with the award to be effective by the end of June 1993. This will allow the successor contractor to be "in place," ready to provide service when the existing contract expires.

CONTRACT NUMBER	NAME OF CONTRACTOR	COVERAGE AREA	EXPIRATION DATE
IA2401-C9243373 (Awarded effective 8/1/89)	OTI Overseas Telecommunications, Inc. 1033 North Fairfax St. Suite 404 Alexandria, VA 22314	Canada	7/31/94

The Agency's competitively awarded contract for video transmission to Canada is effective through July 31, 1994. USIA will initiate procurement action for full and open recompetition approximately nine months to one year prior to the expiration date of this contract in order to select a successor contractor with the award to be effective by the end of the current contract term. This will allow the successor contractor to be "in place," ready to provide service when the existing contract expires.

Funding for Educational and Cultural Exchanges

QUESTION:

Due to an error by the House enrolling clerk, the amount available for the Educational and Cultural Exchanges account in 1990 is $3.8 million more than was assumed in the conference report, after accounting for sequestration. We probably can't shift these funds to another part of the agency without running into scoring difficulties, since CBO scored the bill at the conference report level. However, under the rules of statutory construction these additional funds are available to you for expenditure, since the higher amount is provided in law. They only become available, of course, when section 614 of the appropriations bill is repealed -- something Senator Hollings and I hope will occur in the near future.

How do you intend to use these additional funds?

ANSWER:

Last January when the Agency was finalizing its 1991 budget justifications, we made the assumption that Congress would correct this error and would reduce the 1990 appropriations to the amount approved in Conference action. Thus, our budget presentation and current operational plans assume that these funds will not be made available.

However, the availability of these additional funds would have a very significant beneficial impact on our ability to respond to rapidly developing opportunities in Eastern Europe and to undertake modest but important exchange program initiatives in other parts of the world.

In Eastern Europe, USIA is already administering a significantly expanded program, funded in large part at the expense of programs in other parts of the world. Even this major initiative, however, is being overtaken daily by the rapid developments in that part of the world and by opportunities that could not be foreseen even a few months ago.

Among the Eastern European needs that could be met with additional resources are:

- Support for relationships between American and Eastern European universities and cultural institutions in the fields of commercial banking, public affairs and public policy analysis, industrial relations, worker education, and museology;

- Expanded support for exchanges between the American labor movement and emerging trade union leaders in Eastern Europe;

-- Support for exchanges between the Congressional Research Service and potential counterpart organizations in Poland, Hungary and Czechoslovakia aimed at supporting the emergence of independent legislative bodies;

-- Support for exchanges with Eastern European countries of secondary school teachers under the successful Fulbright Teacher Exchange Program;

-- Additional grants in response to strong interest among American citizen exchange community to expand relationships with Eastern Europe; and

-- Increases in the number of Fulbright grants awarded for programs in Poland, Hungary and Czechoslovakia.

Outside Eastern Europe, additional resources would permit the maintenance of programs that otherwise will have to be reduced, and the initiation of modest new activities in response to developing needs. Specific initiatives planned but not funded include:

-- Initiation of a small direct Fulbright Program with the European Community and a modest increase in the EC International Visitor Program;

-- Restoration of some of the Fulbright Program reductions reflected in the FY 1990 column of the Agency's FY 1991 budget, particularly in such high priority areas as Southern Africa and Chile;

-- Modest expansion of the Hubert H. Humphrey North-South Fellowship Program to the $5.5 million level recommended in the appropriation conference report -- an increase which would ameliorate reductions otherwise required because of inflation and the expansion of the program this year to Eastern Europe;

-- A modest broadening of Fulbright Teacher Program exchanges at the community and junior college level in those countries where such institutions play a major role in the educational structure, such as the United Kingdom, France, Canada, the Netherlands and Germany;

-- Strengthening of America's cultural presence abroad through support for privately organized artistic exhibits in the Soviet Union and Mexico; and,

-- Maintain the number of long-term relationships the Agency is able to support between American and foreign universities through the award of up to five additional grants under the university-to-university affiliations program.

Radio in the American Sector (RIAS)

QUESTION:

In Berlin the United States pays for the transmission costs for radio in the American Section, or RIAS, and for RIAS-TV. The Federal Republic of Germany covers all other costs. Both systems exist as a result of the four-power division of Berlin and the need for a broadcasting system representing Western interests.

USIA has budgeted $4 million for 1991 for these broadcast stations. What is the role for RIAS and RIAS-TV in a Germany that may soon be reunified? Is it appropriate for the United States to continue to support these stations?

ANSWER:

RIAS radio and television are successful broadcast operations with significant audiences in the German Democratic Republic. Surveys indicate RIAS radio is the favorite station of 54% of the GDR population; RIAS TV, established in the summer of 1988, already has a daily viewership of over two million East Germans.

RIAS' legal status and program mandate would change in a united Germany. Responsible U.S. officials are discussing with their German counterparts the possible future role for RIAS. Once these preliminary talks are completed we will be in a better position to decide what the U.S. role, if any, should be.

Alternate Frequency Acquisition

QUESTION:

Radio Marti is requesting $600,000 for the purchase of land on which to build a transmitting facility and $300,000 for the purchase of a station license to be used as an alternate. Why is an alternative frequency needed?

ANSWER:

Under the Radio Broadcasting to Cuba Act, the U.S. Information Agency has been assigned the mission of providing for "...the open communication of information and ideas through the use of radio broadcasting to Cuba." Consistent with this mission, Radio Marti has been operating on 1180 kHz under frequency assignments from the National Telecommunications and Information Administration. To ensure that Radio Marti would be able to continue to reach the people of Cuba should Cuban jamming of its broadcasts on 1180 kHz increase significantly, the station requires an alternate frequency that can be tuned in on existing medium frequency receivers available in Cuba.

In recent months the imminence of TV Marti broadcasts to Cuba has prompted Cuban officials to threaten to disrupt Radio Marti broadcasts.

Need for New Facility

QUESTION:

If an alternative frequency is needed, why build a new station? Can't the existing facilities be modified to broadcast on alternative frequencies?

ANSWER:

The present transmitter facilities were built to handle a frequency of 1180 kilohertz, not the 1600 or 1610 kilohertz that likely would be used for the backup frequency. The directionality of the broadcast signal that would be required would be seriously compromised. At the present facility, the height of the towers, spacing between towers, and the directional antenna system are all oriented to give a strong, very directional signal on 1180 and would require major modification or replacement. A separate facility would also offer a greater chance of continuation of Radio Marti broadcasting in case of a natural disaster or unlawful destruction.

Purchase of New Frequency

QUESTION:

Why is the Agency purchasing such a frequency rather than requesting a frequency through the regulatory process?

ANSWER:

Radio Marti is the sole occupant within the United States of the AM frequency utilized for Radio broadcasting to Cuba. As such, it maintains a relationship with both the NTIA, which regulates government frequencies, and the FCC, which handles commercial frequencies. The FCC provides as a part of its regular regulatory process the opportunity to purchase radio station licenses. Radio Marti would use this normal procedure to obtain an existing license. To apply to the FCC for a frequency not presently in use would not assure Radio Marti of receipt of a frequency at a suitable location or with sufficient power to perform its mission effectively.

Need for Additional Land

QUESTION:

Why is additional land needed, and has it been identified?

ANSWER:

A parcel of land would be needed for the multi-tower directional array and ground system required for transmission of the second frequency. Existing land at the Marathon facility does not offer space required for an additional tower array. Additionally, engineering problems including isolation, induction, power loss, and other problems could exist because of co-locating two high power transmitter facilities. Survivability of at least one Radio Marti facility for broadcasting is important in case of a natural disaster or unlawful destruction.

A useable parcel has been identified between Marathon and Key West, Florida. It is presently for sale and should meet the legal requirements for building a transmitter facility. The tract is sufficiently large to construct a small transmitter building, towers and a ground system. Few tracts of this size, offering the same advantages, become available in the Florida Keys.

Jamming of Radio Marti Broadcasts

QUESTION:

Please provide for the record all instances in which the broadcasts of Radio Marti have been jammed by Cuba on the frequency on which it has transmitted; the duration of the jamming; and the effects on Radio reception.

ANSWER:

We have nothing more than anecdotal reports on this subject - from Cubans who have left the island. These reports suggest that what jamming occurs is sporadic and affects all types of programming at one time or another. This jamming is not intense, and most of the time is of nuisance value only. The jamming is strongest in Havana and Oriente provinces. Some provinces report no jamming of Radio Marti at all.

Unobligated Balance Available for Radio Marti

QUESTION:

Radio Marti had an unobligated balance of $919,000 available to the end of fiscal year 1989. Why has this balance accumulated? How does Radio Marti propose to use these funds?

ANSWER:

These funds have accumulated for the following reasons:

-- $414,000 of the balances carried forward result from a delay of planned 1989 obligations primarily for a contract to store data from Cuban periodicals as a reference source in the Information Center; the purchase and installation of an emergency communication system between Washington and Marathon; and ADP equipment for Technical Operations. These projects will be carried out in 1990.

-- $126,000 resulted from recovery of prior-year obligations.

-- The remainder of $379,000 resulted from delayed billings from GSA for additional space in Miami and Washington; fewer than anticipated reports from stringer correspondents and research interviewers; a construction claim awarded at considerably less than the amount filed; and other miscellaneous items such as training, security clearances and cash awards.

We propose to use these funds in 1990 to meet the following program requirements:

-- $414,000 to complete the funding of the projects delayed in 1989 as noted above.

-- $505,000 to cover ongoing needs, including funding of the 1990 Federal pay raise and additional FTE; an increase in long distance telephone toll charges due to additional stringers filing from East Europe; and rent for additional storage space in Washington.

Replacement of Radio Marti Director

QUESTION:

Last week an article appeared in the Washington Post alleging that the Director of Radio Marti had been replaced as the result of pressure from certain Cuban exile groups. The Director maintains he was forced out due to his refusal to serve as an advocate for the agenda of a group that seeks a role in a post-Castro Cuba, as well as his initial opposition to TV Marti.

What is the status of the former Radio Marti Director, and why was he replaced?

ANSWER:

Mr. Ernesto Betancourt, the former Radio Marti, Director retired, effective March 28, 1990, after being reassigned to the position of Director of Research for USIA.

He was reassigned principally for two reasons: first, to make the most efficient use of Radio Marti and TV Marti resources in implementing the requirements of P.L. 101-246, in conjunction with the Agency determination to reorganize the Cuba Broadcasting Service and, second, to fill a senior position of critical importance to the Agency.

Radio Marti Programming

QUESTION:

Radio Marti has been remarkably successful, as even those who opposed it in the beginning would agree. As we stated in our committee report last year, "Its objective is to reach Cuban audiences with programs which are objective, accurate, balanced, and which present a variety of views." Therefore, I'm sure you'd agree the allegations made regarding attempts to use Radio Marti to advocate the political agenda of specific organizations are a serious matter.

What has been done to investigate these claims, and what steps are you taking to ensure that Radio Marti remains the voice the American government and not the voice of a particular group?

ANSWER:

The claims referred to are understood to be the allegations made by Mr. Betancourt in his memorandum of March 6, 1990, to the Director.

No investigation is required of Mr. Betancourt's claims that changes are contemplated in Radio Marti's programming which would represent a departure from the high standards set in the VOA Charter. The Radio Marti Program has always been conducted in accordance with the VOA Charter's requirement for "accurate, objective and comprehensive" broadcasting. VOA will continue to assure that those standards are met so that Radio Marti remains the voice of the American government, and does not become the voice of any particular group.

To help assure continued public confidence in the integrity of Radio Marti, however, Mr. Betancourt's memorandum was referred (the day following its receipt) to our Inspector General for consideration.

Memorandum from Mr. Betancourt and USIA Response

QUESTION:

The Committee has been provided a copy of a memorandum from the former Director of Radio Marti to the Director of USIA in which he documents his allegations. I'd like it to be made a part of the record, and for USIA to respond to the memorandum for the record.

[The memorandum and USIA's response follow.]

March 6, 1990

MEMORANDUM FOR: The Director

FROM: VOA/M - Ernesto F. Betancourt

Ernesto F. Betancourt

SUBJECT: Recent Events Involving the Radio Marti Directorate

A series of bizarre incidents have taken place in the last two months that give me a reasonable basis to consider that there is a coordinated effort to remove me from my post or to influence my decisions on news coverage of the Cuban American National Foundation. I cover these incidents in detail at Tab A which addresses Events, Coverage of Exile Groups and Cooperation with TV Marti.

In summary, I was told by Mr. Tony Navarro that there was under consideration an option to make him Director of Radio Marti and that an offer was going to be made to me by USIA to take another attractive position. I am informed that this option is being advanced by some officials of the Cuban American National Foundation, of which Mr. Navarro was a Trustee until January 20, 1990. Although Mr. Navarro did not say so in so many words, there is no other forum in which such an option would even be considered. Furthermore, as I relate under Events, all the incidents that have taken place involve officers of the Foundation in one way or another.

I wish to point out that such a concerted effort is a serious violation of Civil Service regulations as they pertain to the Senior Executive Service (SES). According to Sections 3131 (a)(7) of the Civil Service Reform Act of 1978, the SES was created "to protect senior executives from arbitrary or capricious actions." Furthermore, Section 3131 (a)(13) states that the SES would "provide for an executive system which is guided by the public interest and free from improper political interference."

It does not escape my attention that the events I mention here create a serious problem. It may be that there is a serious misconception of the legal points they raise by the people involved. It may even be that my perception of the meaning of the events is not accurate. I certainly wish it were so. However, there is no escaping the fact that these events have occurred.

I, therefore, wish to inform you that I am circulating this memorandum to the Presidential Advisory Board on Broadcasting to Cuba and the Inspector General.

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TAB C	Cooperation Proposal Between TV Marti and Radio Marti Memorandum to VOA Director Carlson

EVENTS

On February 27, 1990 I was informed during a lunch coversation with Mr. Tony Navarro, Director of Tele Marti, that one of the alternative arrangements to coordinate with his position was for him to also become Director of Radio Marti. Mr. Navarro also mentioned that I was going to be offered another attractive position within USIA. When I indicated that I had no interest in another appointment, he suggested I give it some consideration. He expressed the hope that, if that did not work out, we could find ways to arrange for cooperation between Radio Marti and TV Marti.

The next day, February 28, 1990, I asked Mr. Navarro who was going to make me the offer of another job and he told me "somebody at USIA." Mr. Navarro did not mention who had said that an offer was going to be made, but in the context of previous conversations with him, and since he was until recently a Trustee of the Cuban American National Foundation, I assume that the decision as to my future had been made there. At my weekly meeting with VOA Director Richard Carlson, who is my immediate supervisor, I asked if he had any job offer for me and he was completely surprised. Mr. Carlson had absolutely no knowledge of such an action being considered.

Mr. Navarro's statements to me confirmed comments he had made in early January when he came to Washington to assume his post. At that time Mr. Navarro said to a third party that he was coming to be Director of both TV Marti and Radio Marti. Furthermore, since January I have received various phone calls along similar lines and in the last week I received three phone calls on that subject in one day.

All of the calls made reference to a decision by some officers of the Cuban American National Foundation, and in particular Mr. Jorge Mas, to get me removed from my post. Since some of the calls came from Directors of the Foundation, I have to give them some credence. Two reasons are given. One, my alleged opposition to TV Marti. The other, that Mr. Mas claimed to have lost control of Radio Marti. What that means is unknown to me because nowhere in the legislation was that control provided for. To ignore these comments would be foolhardy.

Parallel to these events, several incidents occurred in the last few weeks that seem to support the hypothesis that there is a systematic effort by Mr. Mas and some officers of the Foundation to create a rationale for my removal:

1. During the meeting of the Presidential Advisory Board on January 25, 1990, the Executive Director, Mr. Jim Skinner, raised two topics in an adversary stance never before experienced by the Board. He questioned how I organized the Director's office, in particular the linkage to Audience Research; and he accused me of preventing distribution of Audience Research reports to members of the Board. As a result of that session Mr. Mas wrote to you the letter of February 13, 1990, which implicitly accused me of impairing the independence of Audience Research, and, by asking to have courtesy copies of Audience Research material sent to the Board, implied again that I was withholding them. Since this matter was discussed at the Advisory Board meeting, and since I was there, I cannot see any reason for a formal letter to be written.

   One explanation could be to start building a case against me. Mr. Skinner later apologized to me for having prepared the letter before the minutes of the Board had been approved. Therefore, it was incorrect to assert, as the letter does, that it had been approved by the Board. As a point of fact, I want to state that there is no reason for us at Radio Marti to tamper at all with any audience research data. In a recent TV series over Miami's Channel 51, even Cuban officials acknowledged that our audience penetration is consistent with our Audience Research data.

2. In an unexplained action, a copy of the letter to you on Audience Research sent to the VOA Director, was faxed to the Radio Marti newsroom! I was extremely annoyed with this action and went to talk to Mr. Skinner. I explained to him the damage such letters could do to the credibility of our audience research. I told him I suspected the letter to you was part of a campaign to exert control of Radio Marti coverage of Foundation activities. In explaining why we could not accept Foundation influence in our news coverage, I mentioned to Mr. Skinner several incidents, including one years ago involving a Foundation director, as examples of stories which Radio Marti had to be free to cover even if they affected Foundation members.

   A few days later I had an urgent visit by the USIA General Counsel, Mr. Alberto Mora, and Mr. Richard Werksman of GC. They had received a letter threatening to sue USIA and me for slander. The letter came from the lawyer of the Foundation director I had mentioned to Mr. Skinner. How and why did a private conversation on an office matter between the Director of Radio Marti and the Executive Director of the Presidential Advisory Board, reached a Foundation director?

   My initial reaction was to offer a private apology since for me it was a peripheral matter. Such an apology is unwarranted anyway because according to a 1959 Supreme Court decision, public officials' statements are privileged. The decision states: "It has been thought important that officials of government should be free to exercise their duties unembarrassed by the fear of damage suits in respect of acts done in the course of those duties..." The Supreme Court went to the extreme of maintaining such absolute immunity with disregard of the motives of the official and whether or not the information was accurate. The overriding consideration was to protect officials from being harassed since that could paralyze the functioning of the Government.

In the case of a director of a news operation, whether a newspaper or a radio station, to accept the logic of the lawyer's letter would cripple the ability to deal with rumors, whether true or false, that may lead to news stories. Any news director, editor or reporter who discusses in a private conversation whether a story is worth pursuing or not, could find himself accused of slander.

The wording of the apology requested by the lawyer infringed on my First Amendment rights and offered no guarantee that it would remain a private apology consistent with the privacy of the initial conversation. Furthermore, at no time was I told the exact nature of the statement attributed to me so I did not know whether I was being asked to apologize for something I had not said.

Two additional incidents augmented my suspicions. First, a draft of a letter Mr. Mora had prepared and forwarded to the lawyer was mysteriously leaked to your office. I had serious reservations on the wording of the letter. Then, the lawyer refused my request that whatever I signed be kept private. These two factors convinced me that this was another attempt by somebody linked to the Foundation to help build up a case against me.

3. Finally, on February 27, 1990, after discussing with me the latest developments on the letter exchange, Mr. Mora made a suggestion that in essence was not related to the complaint from the lawyer. Mr. Mora suggested that I contact Mr. Mas and try to make an arrangement similar to the one I had made in the case of Ramon Cernuda -- a spokesman for a Cuban human rights group who had accused Radio Marti of not providing adequate coverage to his organization and of being under Foundation control!

Since I had never accepted Mr. Cernuda's request to talk about our coverage, the situation was in no way similar with the suggestion made. Nevertheless, I called Mr. Mas twice to see if I could determine what was going on. He never answered. In any event I had no intention of discussing Foundation coverage with Mr. Mas because to do so would put them in a privileged position since we had not discussed matters of news coverage with any other exile group. I would certainly not have such a discussion at a time when I felt under pressure from the Foundation which has three members on the Advisory Board, one of whom had already informed me he had been offered my post.

Mr. Mora's suggestion reinforced my perception that somehow the incidents that had taken place were related to Radio Marti coverage of Foundation activities. This could be done either by appointing a new Director who is sympathetic to the Foundation or by pressuring me into some agreement.

I will now address two issues that I understand have been raised, in order to state my position in relation to them. One is the coverage of exile groups and the other is TV Marti.

COVERAGE OF EXILE GROUPS

The Editorial Guidelines issued on March 21, 1985 by the Director of VOA for use by Radio Marti state:

> "These standards mean that the news must not be bent to suit a personal ideological conviction or that of any special interest groups, organization or government."

During the almost five years that Radio Marti has been on the air, the application of these standards has been occasionally the cause of complaints. There were individuals or groups who wished to have more coverage or to control the news coverage of their activities or else objected to the coverage of the activities of other groups.

Among the individuals and groups involved we had one self-proclaimed candidate for the Nobel Peace Prize who tried to use a staffer from a Congressional office to pressure us to broadcast his candidacy. Some exile organizations have tried to use Radio Marti to build a following in Cuba; others have even attempted to use our airwaves to broadcast messages for supposed events inside Cuba. Organizations inside Cuba, particularly human rights groups, have tried to use Radio Marti to proselytize or announce events in Cuba. In the case of one of these groups, there was a complaint raised to Congress that Radio Marti was partial to the Cuban American National Foundation. We also received objections to statements issued by individuals whom the complainers felt should not be given air time.

To deal with this situation, I develcped a coherent approach. To start with, as Director of Radio Marti, I established the rule that my name or voice could not be used on the air. This way nobody could claim that the alleged political interest of the Director was being served by the station. Therefore, despite the fact that I conduct all interviews with defectors, neither my name nor my voice has ever been used on the air.

The Foundation presented a special problem. All of the Cuban-Americans on the Advisory Board are members of the Foundation. No other group from the Cuban-American community has ever been represented on the Board. Any conflict of interest resulting from this situation could be avoided as long as two conditions were met. One, that the Board would not get involved in specific programming decisions. And, two, that our coverage of news about the Foundation and its Chairman be covered following the same criteria applied to any other organization or individual. My policy on dealing with the Foundation coverage is predicated on those two points. Every time either possibility arose, I saw to it that we managed the situation in accordance with the policy I had established.

This policy has been pursued satisfactorily from my perspective up to now. Last year when The Miami Herald was preparing a story based on Ramon Cernuda's accusation of favoritism toward Mr. Mas and the Foundation, we were able to challenge the journalist without any hesitation, to compare our coverage of Mr. Mas with the coverage given to him by Miami media. We could do that with confidence because of the policy that our coverage was decided by our News and Programs personnel following their professional judgment.

This does not mean that there were not disagreements over coverage. On March 14, 1989, after a discussion over the TV Marti legislation, Mr. Mas told me he wanted to discuss the relationship between Radio Marti and the Foundation. However, we were out of time and the discussion never took place. Mr. Mas was not pleased with our anniversary program on May 20, 1989 and the coverage given to him and the Foundation. But in all cases our judgment prevailed. In that respect, the situation was no different than with other groups, some of which felt that their actions should have received more expanded coverage.

With the collapse of communism during 1989, the liberation of Panama and the victory of UNO in Nicaragua, the focus has shifted more and more to what may happen in Cuba. Naturally, in anticipation of political roles in post-Castro Cuba, the potential exposure offered by Radio Marti is infinitely valuable. This is one of the reasons for the reorganization of the Radio Marti directorate at the end of last year. We needed to improve and tighten our policy compliance apparatus to be better able to cope with pressures that were increasing for coverage of events of partisan interest to various groups, including the Foundation.

The debate over the preparation of a transitional constitution by a political commission of the Cuban American National Foundation, as reported in the Miami Herald story at Tab B, points to an even more serious difficulty for us in covering Foundation activities. Since other groups in the exile community perceive the Foundation as a rival political organization, it will become involved in more controversy. The Foundation's presence on the Advisory Board will require that the policy on our coverage of their activities be applied even more strictly. When I was invited to the Foundation meeting in August, 1987 at Key Largo, Florida the issue of forming groups to draft policies for a post-Castro government was discussed. At that time, the idea was raised that Radio Marti could broadcast the results of the group's efforts. I squashed the idea explaining that that would make Radio Marti a vehicle of partisan propaganda. Maybe my strict policy in this respect is no longer tolerable.

COOPERATION WITH TV MARTI

One of the more surprising issues that has come to my attention in the last few weeks has to do with the allegation that I was not cooperating with TV Marti. As with all the comments reaching me the sources of the allegations are generally associated with the Foundation. It is very hard to answer such diffuse statements, therefore, I would rather state what my position has been all along on TV Marti.

On the basis of our Audience Research data, the comments of defectors, and the concern of Cuban government officials, I am convinced that broadcasting a TV signal could have a very significant impact in bringing freedom to Cuba. At the same time my participation in the activities of the VOA TV Marti Task Force has also convinced me that in the absence of a crisis that justified exceptional action by the United States, it is not feasible to find a legal way to broadcast a TV signal to Cuba. My first concerns along those lines were expressed in a letter to Mr. Jorge Mas on November 9, 1988. I stated: "In the end, the project could be feasible only if there is a consensus within the establishment to carry out Marti TV as an act of national will. In the absence of that national will, Marti TV could be a waste of political capital for you and for the Cuban-American community."

On May 3, 1989, once the initial legislation was moving through Congress and the legal and technical options were more clearly defined, I wrote again to Mr. Mas. After explaining how use of 1180 AM by VOA started during the 1962 missile crisis, I said, "In the absence of a similar crisis which could galvanize U.S. public opinion, it is highly likely that the Administration will back out at the last minute. That would be the worst thing that could happen. The earlier the decision is made, the more time we will have to avoid giving Castro a propaganda victory."

At present we are faced with a situation in which Castro -- by merely placing a weak signal on Channel 13 -- could effectively force the United States to either back out of TV Marti or to act in violation of international agreements we are committed to respect. I think that - rather than to act illegally - an action for which we are not likely to get international support - and then attempt to expose Castro's fear of freedom of expression, our best course is to review our options taking into account the changing international situation.

The collapse of communism has brought Castro much closer to the end of his regime. It is true that TV signals into Cuba could accelerate that process. But, whether or not there is a TV signal it is bound to happen. Due to the lead time required to mount the permanent TV operation outside Cudjoe Key, it is quite likely that even if the 90-day test is undertaken successfully it would be 18 months to two years before a permanent TV broadcasting facility is fully operational. By that time Castro is quite likely to be out of power. That argument can be used to certify to Congress that it is not worth it to proceed with the test and that TV Marti funds could be free for other uses, such as the cancelled VOA language services.

Aside from these considerations, I have already presented a proposal to VOA Director Carlson on the actions necessary to assure proper coordination in providing whatever Radio Marti resources are useful to the TV Marti test. A copy of my proposal is at Tab C.

[From the Miami Herald, Sat., Mar. 3, 1990]

Panel Offers a Plan for Governing New Cuba

(By Pablo Alfonso)

The Cuban American National Foundation has put together a plan calling for a transitional government in Cuba should the government of Fidel Castro fall from power.

The plan calls for the creation of a legislative assembly, abolishing the death penalty and recognizing the dual citizenship of Cuban Americans born in the United States.

Foundation chairman Jorge Mas Canosa said the plan is in its initial stages pending further study.

"It's a contribution that the Foundation would like to make to those who rise to power in Cuba after the downfall of Castro," he said.

The plan is made up of 15 articles last discussed Feb. 17 during a meeting of the foundation's political committee.

The rough draft calls for a provisional legislative assembly made up of 23 to 55 representatives named by the provisional government. It also proposes Cuban citizenship for people born to Cuban parents outside the island.

Vladimir Ramirez, director of the exile Social Democratic Party of Cuba, criticized the plan, saying that developing such a document shows a lack of political sensitivity and a lack of knowledge about the will of Cubans living on the island.

The preamble to the document says the provisional government should "guide the Cuban nation rapidly toward the election of a democratic government."

Mel Martinez, president of the Foundation's political committee, said the final draft of the document would have to be approved by the group's executive committee and board of directors.

Martinez said the commission's 12 members began working on the plan two months ago.

Article two of the plan calls for the release of all political prisoners and prohibits "the persecution, incarceration, relocation, exile or expulsion from the country of any citizen because of his political beliefs."

Frank Calzon, former executive director of the Foundation, criticized the group for taking up a political role although "it has not defined itself as a political organization."

"The Foundation was created to represent the interest of all Cubans and to support the Cuban cause by distributing information on Cuban reality, but, without admitting it, the group has become a political party," he said.

In the past several months, other exile groups have formulated plans for reform in case the Castro government is overthrown. *Cuba Independiente y Democratica*, an exile organization headed by former political prisoner Huber Matos, has put together a "Transition Plan." Another group, the Cuban Independent Party has a 12-point plan that would give power to a national assembly during a transitional government.

March 1, 1990

MEMORANDUM FOR: VOA - Richard W. Carlson

FROM: VOA/M - Ernesto Betancourt

SUBJECT: Need For Coordination Between TV Marti and Radio Marti

I understand that there is the possibility that TV Marti broadcasts will start later in March or sometime in April. It seems to me that there is a need to establish some formal procedures between both services to assure that cooperation is orderly and fruitful. I realize that Tony Navarro has too many matters to tend to and also lacks familiarity with what we can do. Therefore, I decided to take the initiative in making a proposal that could serve as the basis for discussions that would lead to a final decision by you as the Director of the Voice of America, since your office oversees both services.

Experience so far

As requested by your office, we have provided support through our Personnel Office for TV Marti personnel matters. We have had some problems with the news contractor. They had requested that we provide personnel forms, either Federal or their own, to applicants. It is not possible for us to do so, as the contractor is supposed to take care of its own recruiting. It would be inappropriate to use government time and resources to handle a task that is the responsibility of a contractor. A similar difficulty emerged when we were asked to turn over personnel applications in Radio Marti personnel files to the contractor. That problem has been solved now and we would provide whatever support is needed for personnel matters for TV Marti itself.

We have made available to TV Marti information on our organization structure and job descriptions. We have also detailed one of our producers to work in their staff. Earlier we prepared a basic outline of programming and contacted potential suppliers. We made all that material available to the TV Marti staff.

We have also made available all relevant audience research reports. The Director of the Audience Research Office has been made available to brief Peter Jones of TV Marti on any analyses he may need of the data we have provided. I have drawn the line on suggestions as to what types of programming TV Marti should air. At Radio Marti, Audience Research ends at analysis. That is, the Office provides data and analyzes it. All program decisions are made by our programs or news managers. The same dividing line will apply to Audience Research data for TV Marti.

I would also like to make clear that TV Marti managers are responsible for decisions on their programs and news coverage. Nobody from our staff should be involved at the decision-making stage. This will avoid misunderstandings later on.

Mr. Jones wanted our Audience Research staff to work directly with the contractor. However, I limited our services only to TV Marti's staff for three reasons. First, there is a limit to what Radio Marti can do. Second, the contractor ought to have this capability as part of the contract. Finally, the contractor staff has no security clearances.

Peter Jones also asked that he and Oscar Moreno be allowed to sit in our morning news briefings. This request was approved. He wanted this courtesy to be extended to the contractor staff and for the same reasons stated above in relation to Audience Research, I advised him that we could not allow it.

Mr. Jones also asked to have a representative sit in our editorial policy meetings and I could not agree to that. The reason is that the editorial policy meeting is the forum in which Radio Marti management makes its decisions on news coverage and programs. Since TV Marti has its own management, those decisions should be made by them. I would have no problem, however, if Mr. Navarro himself wished to be present in order to get an overall vision of our editorial policy emphasis for his own decision making.

Additional areas of possible cooperation

We have completed the reorganization of our research operations to make better use of the capabilities we have built up over the last five years. Monitoring reports produced by our monitoring unit could be of use for the TV Marti staff in making their own judgments and decisions. Our Information Center will be of great use to TV Marti. We are already overloaded in that center, however. Nevertheless, if the work load becomes too heavy TV Marti can station a staffer within our own Information Center or else provide us funds to contract a temporary employee. This will provide TV Marti instant access to the largest information data base on Cuba available in Washington. We do not have video capabilities; therefore, they will have to establish their own video library close to their studios.

All material generated by our research interviewers in Miami will be made available to TV Marti on the same basis on which it is available to our radio operations. For security reasons, however, we cannot make our Miami interview data available to the outside contractor. The data is not used on the air by Radio Marti, either. We have established a relationship of trust with arrivals by creating a system that assures them privacy and confidentiality. However, any arrival who is available to be interviewed by our staff could also be interviewed by TV Marti. We will have to work out procedures that do not overload our Miami staff which is at present carrying a heavy burden due to events in Eastern Europe, the Soviet Union, Panama, Nicaragua and Cuba itself.

Our analysts are providing a new range of materials, such as backgrounders and issue briefs to be used in our news and program operations. Of course, all those materials as well as the Cuba Situation Reports will be available to the TV Marti staff. The analysts could also be available for internal interviews as we use them in our radio broadcasts to provide analyses of events in which their expertise is relevant.

Our news line-ups will be available to TV Marti once they inform us where to send them. Fax transmissions could be arranged so they can be moved fast. Since we broadcast many more hours than TV Marti will, I suggest we limit this transmission to only the line-ups for our four main newscasts and the News Tracking Report we use to manage our news department. This will provide TV Marti staff with the opportunity to see what our priority stories are and to make their own selection of what should be covered. In their case this will be determined by how they can either get video coverage for the story or else use the audio with a relevant video background. This simple procedure could assure coordination in news coverage between the two services.

As to programs, it is more difficult to see what use our material can be to TV Marti. Nevertheless, scripts of our programs such as "Focus," "Open Book," etc., will be available for use by TV Marti if they find them useful and if it is feasible to provide a video image for them. We will also make available our daily Program Log to the TV Marti Program Director and he can contact directly our Program Director to obtain any material he may consider useful.

Procedures for Coordination

It is important to have a lean and simple mechanism for coordination. Since both services are accountable to the VOA Directorate, I suggest that a weekly coordination session between Mr. Navarro and myself be chaired by the VOA Deputy Director. Bob Coonrod has done an excellent job in steering the TV Marti Task Force and would be able to bring to the task the experience and familiarity he already has on TV Marti. At those weekly sessions we could agree on general procedures as well as on any ad-hoc arrangements that may be necessary. Since there are many issues and problems that cannot be anticipated in a start-up operation, this mechanism is flexible enough to allow coverage of all issues. Not only those dealing with either service but also those that may require overall VOA assistance.

It is necessary at the earliest to have a clear line of delegation at TV Marti. In the past we have had repeated requests for the same information by various staffers. This is both wasteful and irritating. We must bear in mind that we have to keep Radio Marti on the air twenty four hours a day, seven days a week. The present crises in the communist world have created a tremendous amount of additional events and matters for us to cover. We have to assure that assistance to TV Marti is arranged with the least possible interference to our own work.

Once the lines of delegation at TV Marti are known, and as we proceed with the weekly coordinating meetings, we can agree on bilateral arrangements between our respective staff so that the provision of information and cooperation is not burdened by the need to go to the top all the time. There is one caveat only: Any request that entails a specific extra work assignment will have to be cleared with the Radio Marti and TV Marti Directors. We cannot have two sources of setting priorities and using resources.

It seems to me that by starting from these ideas we can work out a satisfactory arrangement to coordinate both operations.

USIA Response to Mr. Betancourt's Memorandum

The Agency does not believe that a line-by-line response to Mr. Betancourt's memorandum is warranted, but we would be pleased to respond to several issues which do merit attention.

Coverage of Individuals or Exile Groups by Radio Marti

Mr. Betancourt voices concern about alleged pressures from particular groups to deviate Radio Marti's programming to campaign or proselytize in favor of particular individuals or groups. He implies that his removal is linked by the alleged desire to make Radio Marti a vehicle for such interests.

USIA is committed to scrupulous adherence to the letter and spirit of the VOA Charter. We are confident that continued adherence to the Charter will assure that no individual or group could ever control Radio Marti programming. However, in meeting the "balanced" reporting requirement, we believe that Radio Marti could include coverage of news worthy events or activities involving Cuban Americans.

Removal for Political Reasons

Mr. Betancourt alleges that a concerted effort by a private organization could have resulted in his removal from his position as Director of Radio Marti.

Mr. Betancourt was reassigned because USIA and VOA management concluded that the reassignment was necessary to achieve the maximum efficiencies and benefits from the realignment of the Radio Marti Program with TV Marti as envisioned under P.L. 101-246.

These efficiencies would require some melding of both Radio Marti and TV Marti under the supervision of coordinated leadership. Mr. Betancourt's reservations about TV Marti, as set forth below, were an important factor weighed by USIA and VOA in selecting the management team for the Cuba Broadcasting Service. It did not then, nor does it now, make sense to select or retain on the management team anybody at odds over critical issues of policy.

Mr. Betancourt was initially given the option to remain as Radio Marti Director until his successor was chosen and to be involved in the selection of his successor. He chose to reject both options. More significantly, Mr. Betancourt was also offered a promotion to the position of Director of the Office of Research, one of the highest ranking positions in the Agency. As Director for Research, Mr. Betancourt's responsibilities would have extended world wide. He also would have retained the ability to voice his views on Radio Marti and TV Marti -- or any other subject -- directly to the highest levels of the Agency and VOA. Mr. Betancourt rejected this promotion and these opportunities.

Mr. Betancourt's Views on TV Marti

Mr. Betancourt's apparent opposition to TV Marti is based on reasoning which is neither accurate nor consistent. Mr. Betancourt acknowledges that TV Marti "could have a very significant impact in bringing freedom to Cuba." To this extent at least, Mr. Betancourt agrees with the Congress, which authorized TV Marti two years ago and has strongly supported its establishment, and with the Administration, which has proceeded to implement the mandate to establish TV Marti.

However, Mr. Betancourt also suggests that because Mr. Castro is likely to be out of power by the time that TV Marti becomes fully operational ("18 months to two years"), the project is unnecessary. This argument is flawed in three respects: First, TV Marti test broadcasts have been on the air three hours daily since March 27 with news, sports, and entertainment programs. Second, while Castro could be out of power in two years, there is no certainty that he will be. He remains to this day an implacable opponent of the United States and its policies. And third, Congress has determined that TV Marti is to proceed to full testing as soon as possible.

Mr. Betancourt, who is not a lawyer, also views TV Marti as "illegal". He is simply wrong on this point. The legal status of TV Marti has been carefully studied by attorneys at the Congressional Research Service, USIA, State, FCC, and NTIA and in private law firms. While the Government has domestic and international legal requirements that must be observed -- for example, TV Marti may not broadcast from a vessel in international waters -- it has been structured in such a way as to comply fully with all domestic and international obligations, in particular the International Telecommunications Convention and the associated radio regulations.

Lastly, no discussion of TV Marti would be complete without recognizing that its fundamental purpose is to bring uncensored news and information to people who have been forbidden access to it by a dictatorial regime. Fundamental concepts of justice, as well as the U.N. Human Rights Charter and a significant number of international instruments, proclaim the principle that the right to receive and impart information freely without regard to political frontiers is a basic right. Regrettably this factor appears to be absent from Mr. Betancourt's analysis.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

International Exchange Opportunities for Disabled Americans

QUESTION:

As you know, Mr. Gelb, the Committee is increasingly concerned about USIA's ability to provide disabled Americans the opportunity to participate in the international exchange activities. Over 14% of Americans have some form of disability, yet less than 1% of exchange participants on a nationwide basis are disabled.

Please update the Committee on the Agency's activity in this area.

What steps have been taken to increase public awareness of international exchange opportunities for disabled individuals?

ANSWER:

While there have been no special measures taken to increase public awareness of international exchange opportunities for disabled individuals, there has been no restriction on the application of disabled Americans for Fulbright Academic exchange programs nor in the consideration of such applications for nomination and selection for a grant. However, all candidates must provide a medical clearance for the country to which they have applied for a grant and this may dissuade candidates from applying. Candidates who would not have a problem carrying out their academic research or lecturing in the U.S. might have problems in countries of the developing world that might not have adequate facilities to assist them, e.g., braille equipment in libraries, ramps to accommodate wheelchairs, or technology to help the hearing impaired. Universities in some of the countries of Western Europe, East Asia, and Latin America are not able to accommodate candidates with a particular kind of disability and that must be considered in evaluating applications for grants.

In our Private Sector Program we deal solely with non-profit organizations which submit requests for grants on an ad hoc basis or in response to calls for specific programs as announced in the Federal Register and which answer Agency program needs. It follows, therefore, that nominations of participants in these programs originate with the grantee and that USIA plays only a minor role in their selection. There is, of course, absolutely no restriction on program participation of handicapped individuals who are otherwise qualified.

Participation by Disabled Individuals in Exchange Programs

QUESTION:

Please provide the Committee with the most recent data relating to the numbers of disabled individuals who have participated in foreign exchange programs sponsored by USIA over the past five years.

ANSWER:

The Agency does not keep statistics on this category but can cite individual grantees who have participated in the Fulbright Program who could be classified as "disabled." In 1990 there are five such grantees. Among the U.S. Senior Fulbright Scholars there is a U.S. lecturer to Germany who is deaf; a U.S. lecturer to the Soviet Union who is "legally blind"; and a U.S. lecturer to Argentina who has spinabifida. Among the U.S. graduate students, there is a U.S. graduate student to Austria who is deaf and a U.S. graduate student to Yugoslavia who is "legally blind." In prior years there was a U.S. Senior Fulbright Scholar who had multiple sclerosis; two who had artificial limbs; two who needed crutches due to the residual effects of polio; and one who had a severe speech movement impairment. When disabled Fulbright grantees need funds for assistance, such as readers, the Agency has provided a special allowance for that purpose.

When proposals dealing with disabilities are received, they are given full consideration. One example is the request for support from the VERY SPECIAL ARTS Foundation. In 1987 we funded travel costs for a group of 12 experts in special education in dance, music and graphic arts to China. Their two week program was an extraordinary success and the Chinese reciprocated by sending their own delegation to the United States to continue the effort.

In 1988 we funded a $34,350 program with Galludet University to "Build a Communication Bridge Between Deaf and Hearing people: Interpreting and Sign Language Instruction" which brought 16 specialists in this field from Latin America to the United States. We are currently designing a program to bring officials from the USSR to study methods pursued in the United States to bring the handicapped into the mainstream of American life.

USIA's Future Plans

QUESTION:

What are the Agency's future plans for achieving greater integration of disabled individuals into international exchange programs?

ANSWER:

As an Agency proud of its equal opportunity record, USIA continually stresses the need for and importance of giving full support to programs benefiting the handicapped. We will continue to encourage all qualified candidates for Fulbright awards to apply for the program regardless of any disability, but there are no special plans to target Fulbright grants to disabled individuals due to the problems of obtaining medical clearance, mentioned above. In general, we will continue to take advantage of all opportunities to include the handicapped in our programming.

Mobility International USA (MIUSA)

QUESTION:

Because of the Committee's concern about integration of disabled individuals into exchange programs, report language was included in the Commerce, Justice, State Appropriations bill for FY 90 regarding Mobility International USA. The Committee supports the efforts of this organization to bring to the disabled community the international exchange benefits of education and mutual understanding. The Committee expects that every effort will be made to ensure that the funding needs of this program are given careful attention.

Please update the Committee on action taken by USIA to respond to the report language relating to Mobility International USA.

ANSWER:

The Bureau has awarded grants to Mobility International, USA, in 1986, 1987 and 1988 under the Youth Exchange Program and in 1989 under the Samantha Smith Memorial Exchange Program. A 1990 grant for $40,000 for Mobility International, USA has been approved, not for an exchange but for the purpose of persuading other exchange organizations to include people with disabilities in their programs.

QUESTION:

What are the Agency's future plans for supporting Mobility International, USA?

ANSWER:

Mobility International, USA will be invited to compete for exchange projects in future grant competitions. The amount of funds available for support of mainstreaming the disabled in exchange programs in 1991 cannot be determined until the 1991 appropriations have been enacted and other competing program priorities have been assessed.

SUBCOMMITTEE RECESS

Senator HOLLINGS. This concludes the hearing for today. The subcommittee will recess until 10 a.m. on March 29, when we will hear from the National Oceanic and Atmospheric Administration and the National Institute of Standards and Technologies.

[Whereupon, at 10:55 a.m., Tuesday, March 20, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, March 29.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1991

THURSDAY, MARCH 29, 1990

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10 a.m., in room S–146, the Capitol, Hon. Ernest F. Hollings (chairman) presiding.

Present: Senators Hollings, Adams, and Rudman.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

STATEMENT OF DR. JOHN A. KNAUSS, UNDER SECRETARY FOR OCEANS AND ATMOSPHERE

ACCOMPANIED BY:
- DR. RODNEY WEIHER, COMPTROLLER
- VIRGINIA K. TIPPIE, ASSISTANT ADMINISTRATOR, NATIONAL OCEAN SERVICE
- ALAN P. BALUTIS, DIRECTOR, OFFICE OF BUDGET, PLANNING AND ORGANIZATION

OPENING REMARKS

Senator HOLLINGS. This morning, the subcommittee continues our review of the 1991 requests of the Department of Commerce by looking at the estimates of the National Oceanic and Atmospheric Administration and the National Institute of Standards and Technology. They are the premier scientific agencies of the Department, and we are pleased that the administration is requesting funding of many of the programs that were reduced or eliminated in prior years.

However, of course, there are still large gaps in the external research programs.

We will begin with the request of the National Oceanic and Atmospheric Administration. This totals $1,354,784,000, an increase of $106,897,000, and we are very pleased that the administration is now under a new Under Secretary for Oceans and Atmosphere, an old-time expert, Dr. John A. Knauss, with a long and distinguished career at the University of Rhode Island, where he was dean of the Graduate School of Oceanography.

PREPARED STATEMENT

I have had the opportunity to review some of these needs with Dr. Knauss. We have your printed statement. We will include it in its entirety in the record, and in a moment here, please summarize it as you wish.

[The statement follows:]

STATEMENT OF JOHN A. KNAUSS

Mr. Chairman and members of the Committee, I am pleased to appear before you today in support of the fiscal year 1991 budget request for the National Oceanic and Atmospheric Administration (NOAA). NOAA is requesting total budget authority of $1,422,084,000 which includes $34,521,000 proposed for transfer from the Airport and Airways Trust Fund.

I take particular pride and pleasure in presenting NOAA's fiscal year 1991 budget request to you today. In contrast to budget proposals of the recent past, this request has a very exciting story to tell. Our fiscal year 1991 request represents an increase of about 34 percent over the 1990 request, and is an increase of nearly 9 percent over our current funding level. Our budget proposal is consistent with President Bush's desire to be the "environmental President" and his commitment to understanding, protecting, and preserving our environment, and enables NOAA to maintain its current position as, in my opinion, the Earth systems agency.

This budget proposal has been thoughtfully designed to reflect a rational, organized approach to funding important national programs and meeting critical national goals. We are requesting increases over the current funding level in our three highest priority initiatives; that is, Climate and Global Change, modernization of the National Weather Service, and our Coastal Ocean Science Program. In addition, although our proposal differs from the fiscal year 1990 appropriation in some respects, I believe our budget proposal moves much closer to addressing many Congressional concerns and priorities that have been evident in the past. For example, we have included funds for the National Sea Grant College Program and the Coastal Zone Management grants in our proposal. We have proposed a budget for our fisheries programs that represents a substantial increase over prior requests.

As always, however, the realities of deficit reduction force us to make the hard choices necessary to address what are truly the needs of our nation today. I believe this budget reflects this crucial balance. Let me share with you the highlights of our 1991 budget request.

The request funds essential ongoing programs and activities and program increases in our high-priority areas. As I mentioned, our proposal places a high priority on active participation in the U.S. Global Change Research Program; continues emphasis on our Coastal Ocean Science Program; and continues our ongoing program of modernization of the National Weather Service. I would like to discuss some of the details of these important programs, starting with the President's climate and global change research program.

NOAA's request for our contribution to the U.S. Global Change Research Program (USGCRP) is $87 million, an increase of $69 million over current funding levels. NOAA's Climate and Global Change Program is a vital component of the U.S. effort and enables us to bring our unique talents and special capabilities to bear on some of the highest priorities identified by the Committee on Earth Sciences in the USGCRP Research Plan. Consistent with CES priorities, NOAA has chosen to focus on those changes in the Earth's climate system that confront us with major economic, social, and environmental challenges. Our fiscal year 1991 budget emphasizes the need to improve our presently limited understanding of processes such as greenhouse warming, ozone depletion, regional drought, water resources and year-to-year climate change.

The commitment to establish the aggressive scientific program outlined by the CES agencies is a significant policy decision recognizing the need to improve our understanding of the Earth system, reduce major scientific uncertainties in the decision process, and continually re-evaluate the effectiveness of policy in the light of new scientific insight. NOAA will work with other agencies and the scientific community, to synthesize authoritative information on global change in a form useful to decisionmakers. NOAA's mission and expertise have led us to assume responsibility as a principal operational climate prediction and information service agency in the National Program.

It might be helpful if I outlined some of the important new prediction services which we expect to derive from the program. In so doing, I would like to call to your attention the fact that useful products will become available from NOAA's program within a very few years. As our ability to forecast on longer time scales improves, the economic benefits to the nation improve dramatically. For example:

> It will be possible within three to five years, we believe, to provide seasonal climate forecasts—that is, forecasts of 30 to 90 day average atmospheric conditions—for selected regions, including North America.
>
> Within eight to ten years, it will be possible to begin routine predictions of year-to-year variations in climate over large portions of the world, including North America. These six-month to one-year forecasts will be based on a greatly improved understanding of how the tropical ocean induces changes in global climate patterns.
>
> Although the challenge of modeling the Earth system on decadal time scales is an inherently long-term effort, the program outlined by CES will begin to narrow some of the significant scientific uncertainties very soon. NOAA will play a major role in these long-term efforts.

Our fiscal year 1991 proposal will allow us to contribute to three major USGCRP objectives: documenting global change, focused process studies, and climate modeling and prediction. The attached charts, which I would like to submit for the record, summarize our climate prediction efforts and detail the types of projects NOAA will undertake in fiscal year 1991 to meet the USGCRP objectives.

Another high-priority request in 1991 is the continuation of our coordinated coastal ocean science program initiated in 1990. Our budget requests $17.4 million for this program, an increase of $11 million over current funding levels.

As you know, the coastal ocean program is designed to improve our understanding of the environmental issues affecting the quality of our coastal waters and improved data for policy decisions at all levels. In fiscal year 1991, the Coastal Ocean Program will focus its efforts in five areas: Nutrient-Enhanced Productivity; Estuarine Habitats; Coastal Fisheries Ecosystems; Toxic Chemical Contamination; and Physical Impacts. I would like to describe each of these elements briefly.

Nutrient-Enhanced Productivity results from the accumulation of algae-producing materials such as nitrogen and phosphorus in our Nation's water bodies. This accumulation of excessive algae reduces the oxygen needed to sustain fisheries and other organisms in the marine food chain. Our fiscal year 1991 program will focus on assessment of the extent of this problem, research and modeling in the Gulf of Mexico and the Southeast, and evaluation of the effects of atmospheric nitrogen in the East Coast estuaries.

Second, expanding our Estuarine Habitats efforts will contribute to the President's goal of "no net wetland loss". Expanded wetlands mapping from satellites, habitat research, modeling, and evaluation of wetland restoration techniques will improve our abilities to meet this important National priority.

Third, we will expand our Coastal Fisheries Ecosystems efforts, with the goal of developing more accurate and reliable fisheries models which leads to more effective fisheries management plans. In recent years, the demand for seafood has risen dramatically, and there are no major new fisheries to develop. Therefore, effective fisheries management plans, based on models which take into account natural variability, are critical, especially as the emphasis on fish as an important and healthful protein source continues to increase. Both human activities and natural changes in the coastal ocean environment affect fisheries dynamics and populations. These must be recognized as we develop more accurate and efficient fishery management plans. In the past, we have applied this ecosystem approach to one of the largest fisheries in the world, the Bering Sea Pollock fishery, which is now an important resource valued at at least $1 billion per year.

Fourth, we will continue ongoing assessments of highly polluted marine environments. Our toxic chemical contamination efforts are designed to provide the information necessary for informed decisionmaking to safeguard our Nation's marine resources. In fiscal year 1991, we will emphasize understanding the effects of toxic chemicals on estuarine habitats and their living resources.

Fifth, we will expand our efforts in Physical Impacts. This element of the Coastal Ocean Program focuses on improving predictions of tsunami and hurricane flooding, thereby reducing hazards to coastal resources. In fiscal year 1991, we will upgrade the tsunami measurement system in Alaska and enhance efforts in hurricane flooding prediction.

Finally, much of the research and assessment needed to address coastal ocean problems relies on similar basic ocean data. We will enhance our ocean observation, communication, and data and information management and delivery systems to facilitate efficient provision of these data to decisionmakers. The attached charts, which I would like to submit for the record, summarize our fiscal year 1991 Coastal Ocean Program.

Other NOAA programs will contribute to the Coastal Ocean Science Program as well. For the first time in many years, NOAA's budget request includes funds for Coastal Zone Management Act grants and the National Sea Grant College Program. We will be testifying soon in support of the reauthorization of the Coastal Zone Management Act, which we have restructured as a coordinated national effort designed to maintain a balance between resource protection and coastal-related marine activity. Our budget requests $30 million for grants under this program. In addition, the Sea Grant Program, proposed to be funded at $27 million, will support many of NOAA's marine-related activities, one of which is our coastal ocean program. I welcome the contribution made by these programs, as both stand-alone programs and as important components of our high-priority initiatives.

The final highlight in our budget request is the continuation of the National Weather Service modernization. I am pleased to assure you that our request contains sufficient funds to maintain existing operations at all weather offices in 1991. The budget requests $76 million over current funding levels for the systems necessary to implement the modernization.

Keeping the modernization of the National Weather Service on schedule is one of my highest priorities. The state-of-the-art systems we are acquiring will enable us to predict, with increased accuracy, weather conditions in the United States. Improved prediction of severe weather, such as tornadoes and thunderstorms, will dramatically improve our ability to inform the public allowing timely response to the safety and economic impacts of these severe natural events.

The 1991 budget requests a $43 million increase for Next Generation Radar (NEXRAD). By October 1991, eleven of these enhanced doppler radars will be delivered. Second, the budget requests a $5 million increase for the Automation of Service Observations (ASOS) Program, to continue the full-scale production contract which will be awarded in August 1990.

Third, the budget requests a $21 million increase for the Advanced Weather Interactive Processing System (AWIPS). AWIPS will allow us to proceed with technology development and prototype deployment at the Modernization and Associated Restructuring Demonstration (MARD) sites. Finally, the budget requests a $7 million increase for NOAAPORT to initiate GOES data remapping and data communications capability.

In addition, the budget contains an increase of $11 million for the Modernization and Associated Restructuring Demonstration and Implementation (MARDI). This is a key element of the modernization program, as it will demonstrate the new technology and service improvements, provide professional development for NWS Staff, and implement the service improvements nationwide.

The attached chart summarizes our NWS modernization output for fiscal year 1990 and 1991.

This budget provides funding associated with the annual cost of procuring spacecraft, launches, and associated ground systems for the polar and geostationary orbiting environmental satellites. Funds are also requested to complete and launch LANDSAT 6.

With new fiscal year 1990 resources, NOAA is building a small interdisciplinary damage assessment team to respond to major incidents that harm its public trust resources, including national marine sanctuaries, fisheries, and marine mammals. This team will assess damages, support NOAA damage claims against responsible parties, and plan and implement restoration of damaged habitats.

Finally, I would like to mention very briefly several other key aspects of NOAA's 1991 budget proposal. Our Fisheries budget is responsive to key problems in fisheries data collection and management, and addresses critical legislative mandates in the areas of marine mammal protection and Driftnet Act compliance. We propose to address infrastructure problems through a NOAA-wide facilities maintenance program, and by making improvements in our fleet of ships and aircraft.

Thank you Mr. Chairman, I am excited and enthusiastic about this budget request, my first as Administrator of NOAA. I hope that you and this Committee will share my enthusiasm and I look forward to working with you as we proceed in this process. I will be happy to address any questions which you or other members of the Committee might have regarding our budget request. I also have with me today Rodney Weiher, NOAA Comptroller, and other senior members of my staff to address specific issues and questions.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION 1991 CONTRIBUTION TO USGCRP

Documenting global change.—Operational ocean observation; global sea level; stratospheric ozone; and data and information management system.

Focused process studies.—Role of ocean in climate change; sources, sinks, behavior of greenhouse gases; clouds, water vapor and hydrological cycle; and ecosystem response, climate and related stresses.

Climate modeling and prediction.—Operational ocean modeling; near-term forecasting; and longer-term climate prediction.

National Oceanic and Atmospheric Administration Fiscal Year 1991 Climate and Global Change Program

Anticipated climate prediction products

Time scale	*Product*
Weather	Forecast prepared every 6 hours.
Seasonal forecasts	30- to 90-day projected means provided biweekly.
Interannual prediction	Six month forecasts and 1 year prognosis provided quarterly.
Decadal to centennial	Consensus assessments and interpreted model projections provided every few years; special reports as progress allows.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION COASTAL OCEAN PROGRAM—FISCAL YEAR 1991 EMPHASIS

Study effects of nutrient overenrichment on fisheries and other organisms in the marine food chain.

Contribute to President's no-net wetland loss policy through work on estuarine habitats.

Develop more reliable fisheries models, data, and management through work in coastal fisheries ecosystems.

Assess highly polluted marine environments through work in toxic chemical contamination.

Expand physical impacts work (tsunamis and storm surges).

Develop common data sets.

Improve methods for delivering data and information to coastal decisionmakers and researchers.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION NATIONAL WEATHER SERVICE MODERNIZATION OUTPUTS

NEXT GENERATION WEATHER RADAR (NEXRAD)

Fiscal year 1990-91 triagency delivery schedule: Oklahoma City (Twin Lakes), OK; Melbourne, FL; Washington (Sterling, VA); Washington (Clinton, MD); Kansas City, MO (NWS Training); Frederick, OK; Chicago, IL; N.W. Florida, FL; Keesler AFB, AL; St. Louis, MO; and K.C. Bannister Maintenance Depot.

AUTOMATED SURFACE OBSERVING SYSTEM (ASOS)

Fiscal year 1990-91 triagency limited production delivery schedule: 16, National Weather Service; 38, Federal Aviation Administration; and 1, Navy.

Fiscal year 1991 triagency full production delivery schedule: 20, National Weather Service; 55, Federal Aviation Administration; and 3, Navy.

ADVANCE WEATHER INTERACTIVE PROCESSING SYSTEM (AWIPS)/NOAAPORT

Fiscal year 1991 AWIPS/NOAAPORT Program plans: Award development, deployment and operations contract; continue software development; AWIPS prototype development for MARD sites; and initiate GOES data remapping.

CENTRAL COMPUTER FACILITY UPGRADES

Deliver class VII computer to the National Meteorological Center in February 1990.

REMARKS OF SENATOR RUDMAN

Senator Rudman.

Senator RUDMAN. Thank you, Mr. Chairman. I also welcome Dr. Knauss here. Unfortunately, as I advised you, Mr. Chairman, I have a defense appropriations hearing going on at the same time which I have to be at, and since you and I are in total agreement on this one, I feel safe to leave here this morning. [Laughter.]

So I am going to stay here for a bit, and I may have some questions for the record. We are delighted to have you and your associates here this morning.

Dr. KNAUSS. Thank you.

Senator HOLLINGS. Dr. Knauss.

OPENING REMARKS OF DR. KNAUSS

Dr. KNAUSS. Thank you, Mr. Chairman. It is indeed a pleasure to join you and the members of the committee today in support of the fiscal 1991 budget request of the National Oceanic and Atmospheric Administration. On our behalf the President requested, as you noted, almost $1.4 billion, including a $34.5 million proposal for transfer from the airport and airways trust fund.

I take particular pride and pleasure in presenting the NOAA fiscal 1991 budget request. Not only is it my first budget as Administrator, but it is exciting to talk about the programs that NOAA has and will be implementing. I believe this budget also demonstrates the strong support that NOAA has received from Secretary Mosbacher and President Bush.

Our fiscal 1991 request represents an increase of about 34 percent over the 1990 request. It is an increase of nearly 9 percent over our current funding level. Therefore, it dramatically demonstrates the administration's commitment to understanding, protecting, and preserving our environment.

It enables NOAA to maintain its current position as what I have been calling this Nation's Earth systems agency.

BUDGET PRIORITY INITIATIVES

This particular approach reflects a rational, organized approach to funding important national programs and its critical national goals. We are asking for increases over the funding level in our three highest priority initiatives: The Climate and Global Change Program, our modernization of the National Weather Service, and our Coastal Ocean Science Program.

In addition, I believe our budget proposal moves much closer to addressing most of the concerns and priorities that Congress has made evident in the past.

For example, we have included funds for the National Sea Grant College Program and the Coastal Zone Management Program, as well as a substantial increase in the budget for our Fisheries Program, and for the first time, we have a $2.5 million base program for damage assessment on oilspills and chemical contamination efforts.

There are always, however, the realities of deficit reduction. Given the difficult fiscal problems, the budget gives a careful approach to the needs of our Nation.

As you indicated, Mr. Chairman, the complete statement will be put in the record, and I will limit my discussions to a few points. We are proposing significant increases in fiscal 1991 for two major NOAA-wide initiatives, programs that cut across line organizations in NOAA.

CLIMATE AND GLOBAL CHANGE

The first program is the climate and global change. NOAA's request for our contribution to the U.S. global change program is $87 million. That is an increase of $69 million over the current funding level. That is almost a factor of four.

NOAA's climate and global change request is a vital component of the Governmentwide, I wish to emphasize, U.S. program, developed with OMB, the community, and our sciences. The U.S. program is well-integrated. Interagency efforts can draw upon NOAA's unique talents and special capabilities. Without NOAA and the National Science Foundation support, for example, the U.S. effort will become largely an Earth systems science program instead of a more comprehensive program with practical, near-term benefits to the Nation's people.

Our fiscal 1991 budget will allow us to expand our limited understanding of greenhouse warming, ozone depletion, water resources, and year-to-year climate change.

In addition to addressing the long-term and very critical concerns of global warming, the knowledge we gain from this research will also provide several useful products in a very few years. For example, I believe it should be possible, within 3 to 5 years, to provide seasonal climate forecasts in a 30- to 90-day average range for atmospheric conditions which are significantly better than what we can presently do.

In 8 to 10 years, it will be possible, I believe, to begin useful predictions of year-to-year variations in climate over large portions of the world. If we are successful, reliable, seasonal international forecasts will be of tremendous economic importance. If, for example, we can predict drought conditions, we can prepare for them; we can work to effectively compensate for reductions in food stocks. If we can predict unusually cold winters, we can prepare for them; we can arrange for adequate fuel oil supplies

COASTAL OCEAN SCIENCE PROGRAM

The second program I would like to note is a continuation of our coordinated Coastal Ocean Science Program that we began in 1990 Our budget requests $17.4 million for this program, an increase of $11 million over current funding levels. The Coastal Ocean Science Program is designed to improve our understanding of the environmental issues affecting the quality of our coastal waters.

There are other NOAA programs which will contribute to the overall understanding of the economic, ecological, aesthetic, and recreational values of our coastal areas. For the first time in many years, NOAA's budget request includes funds for the Coastal Zone Management Act.

For the first time in many years, it includes grants for the National Sea Grant College Program. Last week, I testified in support of the reauthorization of the Coastal Zone Management Act, which we agreed, was prestructured as a coordinated national effort designed to maintain a balance between resource protection and coastal zone management activity.

Our budget requests $30 million for grants under this program. In addition, the sea grant program, proposed to be funded at $27 million, will support many of NOAA's marine-related activities, one of which is our coastal oceans program. These are programs which, as you are well aware, sir, have been zeroed out in previous administration budgets and have been restored by Congress.

WEATHER SERVICE MODERNIZATION

Continuation of the National Weather Service modernization is another priority of our budget request. Our request contains sufficient funds to maintain the existing operation at all weather offices in 1991. The budget requests $76 million over current funding levels for the systems necessary to implement the very important modernization program that is now underway.

Our fisheries budget is responsible for problems in fisheries, in data collection, in management, and addresses critical legislative mandates in the area of marine mammal protection.

Last, there are also proposals to begin addressing long-term problems to a NOAA-wide facility maintenance program, most notably in making improvements in our fleet of ships and aircraft.

I thank you, Mr. Chairman, and I look forward to your questions and those of the committee. I am enthusiastic about this budget request, as you perhaps can tell. I hope that you share my enthusiasm. I look forward to working with you as we go forward with this process. I have with me here today at the front table Joy Wilson, the Assistant Administrator for NOAA; Rodney Weiher, our Comptroller, and Alan Balutis, who is the Director of the Office of Budget, Planning and Organization in the Department of Commerce, and behind me are senior members of my staff who can help with questions.

Senator HOLLINGS. Very good. Let me yield.

Senator RUDMAN. I am going to submit some questions through my staff for the record, but I appreciate a chance to hear your statement. As I say, I am sorry, but it is important to move on. Thank you.

Senator HOLLINGS. Thank you a lot. Let me yield to Senator Adams.

Senator ADAMS. Thank you very much, Mr. Chairman. I have three areas of specific interest that were mentioned by Dr. Knauss.

Good morning, Dr. Knauss.

Dr KNAUSS. Good morning.

SEATTLE MARITIME MUSEUM

Senator **Adams**. I am happy to have you here with us. Mr. Chairman, first, the question that I have is that Seattle has been working with your staff on a maritime museum, and my question to you, Dr. Knauss, is whether NOAA has the authority to work cooperatively with State, local, or nonprofits to develop joint public education activities such as this museum?

Dr. **Knauss**. The answer is yes, we do, sir. We can do it, usually through our sea grant program. We believe education is a very important part of this mission. We can do it through other aspects of our program, and we have in the past.

We actually are reorganizing some aspects of our Office of Legislative Affairs [OLA], just so we can do a somewhat better job in the future than we have in the past with respect to programs such as the one you are proposing in Seattle.

Senator **Adams**. We have had very good contact between the academics in Seattle and the people in your office, and I want to thank you personally for that. I wanted to bring it to your attention, because we would like to proceed with this. It has some very unusual aspects. Of course, our city is very close to NOAA, as you know, in many, many ways.

DRIFTNET ISSUES

My second question deals with the National Marine Fisheries Service, and some of your experts may want to answer this. The NMFS budget is about $40 million less this year than actually appropriated in fiscal year 1990. I would just like to know to what degree this reduction will affect the future health of our fisheries in the North Pacific.

I am particularly concerned about the negative impact on three specific programs. The programs that I particularly would like an answer on are the Bering Sea pollock research; the High Seas Driftnet Program, and the marine mammal population assessment.

I might say that I am especially concerned about funding for high seas driftnet research. These fisheries are just slaughtering many of our species, not only in the North Pacific, but around the world. We need to know if we will make progress in that area this year.

Dr. **Knauss**. We are also concerned about the high seas driftnet, sir. As you know, there was a negotiated treaty reached with Japan, Taiwan, and South Korea.

Senator **Adams**. I am aware of that.

Dr. **Knauss**. The State Department is now, with our help, over in Japan, as of this moment, renegotiating the second tier of the Japanese component of that treaty. What I heard, as of last night, is that things seem to be going quite well in the negotiations.

Senator **Adams**. Well, I would just warn you that some of us have been following those negotiations closely, and I hope that you maintain a very solid position. We have now about 30 to 40 miles of monofilament net drifting across the mid-Pacific, and the chairman and I have been dealing with this problem for more years than either of us want to admit. I was part of the negotiations on the original line with the Japanese about who got the salmon on what side. But I will say this: If we don't do something about this problem, there won't be any fish left to argue about.

Dr. **Knauss**. I understand. With respect to the question that you raise, I will present for the record, if you would like, some detailed responses for the support of those three programs, but I think I can tell you, just off the top of my head, that the three areas you listed, namely the pollack research area, driftnet research, and marine mammal research, all have increased for this year.

Senator **Adams**. Excellent.

Dr. **Knauss**. So that we are also aware of those issues, and those problems, and are concerned about them. There are increases, and I will present for the record in some detail just what those increases are.

[The information follows:]

Bering Sea Pollock Research, Marine Mammal Population Assessments and North Pacific Driftnet Programs

An increase of 21 positions and $750,000 is requested for Bering Sea Pollock research. Pollock is the most abundant species in the eastern Bering Sea-Aleutian Islands area comprising well over 50 percent of the total groundfish catch. Pollock range completely around the Pacific rim, from Washington State to the Sea of Japan. Heavy foreign fishing in the international zone of the Aleutian Basin is detrimentally affecting the pollock stocks of the U.S. EEZ. This increase will enable NMFS to assess the interrelationships of pollock in the international zone of the Aleutian Basin to the pollock of other areas (United States EEZ, Soviet EEZ and Western Pacific), and to clarify the role these stocks play in the Bering Sea ecosystem. This scientific information is critical if the United States is to conserve the Bering Sea pollock resources, and support future international negotiations.

An increase of $3,600,000 is requested to conduct marine mammal population assessments as directed by the Marine Mammal Protection Act (MMPA) amendments of 1988. Implementation of programs to meet legislative requirements, such as recent amendments to the MMPA, and resolution of problems associated with the incidental taking of protected species and other animals of interest to the United States, are not adequately funded. Section 114 of the 1988 MMPA amendments directs the Secretary of Commerce to implement a new, interim exemption system for granting incidental take authority to commercial fishermen until October 1, 1993. The two principal components involved are the levels of incidental take and an assessment of the status of the affected populations. The need for research to make population assessments is a critical element, but was not addressed in the MMPA amendments nor spelled out in the subsequent implementation schedule. This request addresses high priority domestic fisheries. Management actions addressing the effects of incidental take will depend on the potential vulnerability of a population, and this requires the knowledge of: (1) whether the population is growing, stable, or declining; (2) information on the population throughout its range; and (3), the known or expected level of take. To determine the effects of incidental take, the most important information needed are the levels and severity of the take, population size and trends, and stock identity. NOAA is required to recommend to Congress by January 1, 1992, a proposed long-term program to manage incidental takings of marine mammals associated with commercial fisheries. In order to meet that time schedule, NOAA must begin conducting and contracting now for the required research studies. For fiscal year 1991, this would include studies on the harbor porpoise, stellar sea lion, bottlenose dolphin, harbor seal, California sea lion, and the beluga, humpback and killer whales. Additional species will be addressed in future years.

An increase of $300,000 is requested to augment the observer monitoring effort of the North Pacific Driftnet Program. In fiscal year 1990, Congress appropriated $3,000,000 to establish a Driftnet Program to address the illegal catch of U.S. salmon and steelhead trout by foreign fishermen in the North Pacific Ocean. This program included observer monitoring, research and assessments, studies on impacts of by-catch, and mitigation measures. Approximately $1,300,000 of the initial $3,000,000 was identified for the observer program to fund 40 scientific observers and processing support. The budget for the observer program was based upon the normal placement of observers on the foreign fishing or support vessels through foreign ports. Based on experience to date, at least 50 observers will be required to provide a comprehensive sampling of the entire driftnet fishery.

WESTERN WASHINGTON OUTER COAST NATIONAL MARINE SANCTUARY

Senator ADAMS. Thank you very much. I have another question. Section 205 of Public Law 100–627 directed the Secretary of Commerce to issue a notice of designation with respect to the Western Washington Outer Coast National Marine Sanctuary. I was the Senate author of this provision, with the help of the chairman we did obtain a national marine sanctuary for the coast of that entire area. Since then, we have been closely following NOAA's progress over this matter.

The designation process was to be completed by June 30, 1990. This date is coming soon, so I just wanted to ask, first, what progress the agency is making toward reaching the deadline for the designation, and second, if there are concerns about meeting this deadline, and what are they?

Dr. KNAUSS. As far as I know, we are progressing, but I will have to call upon somebody here in the room who can give you some details on that.

Ms. TIPPIE. We are on track. In fact, I am meeting today with David McCraney from the State of Washington to discuss some remaining issues, but we do believe we will be able to designate in the time involved, by September.

Senator ADAMS. We would appreciate that very much.

STAMPEDE PASS WEATHER STATION

My final question, Dr. Knauss, and if you wish to submit anything further for the record in detail form, I hope that you might.

Last year, the chairman was kind enough to restore the manning of what we call the Stampede Pass Weather Station. It is an important facility, because we lost aircraft there, and we have one down and several have been found, and another that may be. I know there is no personnel funding proposed for this station in 1991, and I am very concerned about it. Is Stampede Pass the only weather station that is losing personnel?

Dr. WEIHER. There are two others, one in Oregon and one in California. These are not weather stations, Senator, but they are observing stations, and they have been automated, so they are providing the temperature and wind data without manned personnel. Those three stations' support costs total $200,000.

Senator ADAMS. Well, I hope you continue to fund the station at Stampede Pass.

NUMBER OF AUTOMATIC WEATHER OBSERVING STATIONS

Dr. KNAUSS. As part of our program, Senator, we will have over 2,000 automatic weather observing stations up in the next few years.

Senator ADAMS. I hope so.

Thank you, Mr. Chairman, for your kindness, and you are correct. We want to be with you every moment of the day, but as I told you last week, I had——

Senator HOLLINGS. Stick around.

Senator ADAMS. I am going to. I had two hearings for the Appropriations Committee. We had 26 witnesses one day and 35 the other with brother Harkin on Labor, Health and Human Services. That is why I just couldn't be here, and I apologize.

Senator HOLLINGS. I understand. I chaired a hearing there yesterday.

PREPARED STATEMENT OF EDWARD E. HOPSON

The subcommittee has received a statement from Edward E. Hopson, the chairman of the Alaska Eskimo Whaling Commission with regard to NOAA's research on the bowhead whale and management of the Native Alaskan hunt of the bowhead whale. The statement will be printed in the record at this point.

[The statement follows:]

STATEMENT OF EDWARD E. HOPSON, CHAIRMAN, ALASKA ESKIMO WHALING COMMISSION

INTRODUCTION

The Alaska Eskimo Whaling Commission (AEWC) is an Alaska Native organization, created for the purpose of managing the Eskimo subsistence hunt of bowhead whales. The AEWC was formed in 1977 and is composed of nine Commissioners, one from each of the nine Eskimo whaling villages in northern Alaska. The AEWC manages the bowhead hunt pursuant to a Cooperative Agreement with the Department of Commerce, National Oceanic and Atmospheric Administration (NOAA). As a result of the AEWC's commitment to the preservation of the bowhead population and because of its responsibilities under the Cooperative Agreement, the AEWC also sponsors biological research and weapons research intended to improve the efficiency of the Eskimo hunt. In conjunction with its management responsibilities, the AEWC sends representatives to the annual meetings of the International Whaling Commission (IWC).

BACKGROUND

The fiscal year 1990 appropriation for the Alaska Eskimo Whaling Commission is $350,000. In the Senate Commerce, Justice, State Appropriation Bill for Fiscal Year 1990, the AEWC's program was included in the NOAA budget under "marine mammal research." See 101st Cong., 1st Sess. Sen. Rep. No. 101-144, pp. 23, 26. The AEWC would like to request that the current level of funding for this program be maintained for fiscal year 1991. The projects which comprise the AEWC's bowhead whale research and management program include:

(1) an ice based visual census conducted for the purpose of estimating the number of bowhead whales currently in the population;

(2) a recently developed acoustical survey technique which is used to count whales that are beyond the range of the visual census;[1]

(3) the formulation and analysis of statistical population models using data from the projects set forth in paragraphs 1 and 2;

(4) the biological analysis of material from harvested whales;

(5) the implementation of the AEWC-NOAA Cooperative Agreement which involves annual negotiations with NOAA on the level of the bowhead quota, organizing an annual meeting of whaling captains, registration of whalers, management of the bowhead hunt, reporting on the results of the hunt and disciplining any whalers who violate the hunting rules;

(6) attendance of AEWC representatives at the annual meetings of the International Whaling Commission;

(7) a program of technological improvement for equipment used in the hunt and in the recovery of whales, intended to improve the efficiency and humaneness of the hunt.

When the bowhead whale research program was initiated, very little was known about this whale. As a result of the research which this program makes possible, we have obtained preliminary estimates of the current size of the population. However, due to the fact that bowhead population data can only be gathered during the few weeks of the Spring migration, it will be several years before precise estimates of the size of the population and its rate of recruitment are available. The information which has been obtained so far has relieved concerns that the Eskimo subsistence hunt might be adversely affecting the health of the population. It is now fairly clear that the subsistence hunt, as regulated by the AEWC, is sufficiently small in relation to the size of the bowhead population, that it does not represent a threat to the continued existence of the bowhead whale. However, the IWC has required that the United States continue to conduct bowhead population research, at least until the recruitment rate of the stock can be accurately estimated.

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[1] Projects 1 and 2 are conducted during the Spring bowhead migration.

Pursuant to its Cooperative Agreement with NOAA, the AEWC is required to perform several administrative tasks each year. Representatives of the AEWC attend the annual meetings of the IWC, where quotas for the bowhead hunt are set under the International Whaling Convention. The AEWC Commissioners conduct annual negotiations with NOAA concerning the domestic implementation of the IWC quota. Prior to these negotiations, at an annual meeting of whaling captains, the AEWC gathers information from each of the whaling villages with regard to their quota needs, and following the negotiations, allocates the bowhead quota among the villages. During the Spring and Fall whaling seasons, the AEWC monitors the bowhead hunt, ensures that the quotas are observed, punishes any infractions, and reports the outcome of each hunt to NOAA.

1991 FUNDING REQUEST

In the past, both the House and Senate have given explicit recognition to the tasks associated with the bowhead whale research program and the management of the bowhead hunt. In its Report on the Fiscal Year 1990 Appropriation Bill for the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies, the Senate Appropriations Committee specifically referred to the research and related activities which this appropriation was intended to cover. See 101st Cong., 1st Sess. Senate Rep. No. 101-144, p. 26.

The AEWC would like to request that the following similar language be incorporated into the Fiscal Year 1991 Senate Appropriations Committee Report on the 1991 Appropriations for Commerce, Justice, State, the Judiciary and Related Agencies: $350,000 to be allocated to the Alaska Eskimo Whaling Commission for the following purposes: (1) scientific research; (2) International Whaling Commission representation; and (3) for implementation of the Alaska Eskimo Whaling Commission and National Oceanic and Atmospheric Administration Cooperative Agreement.

The bowhead whale is crucial to the Eskimo people and the Eskimo culture. In addition, the scientific research funded through Congressional appropriations is helping us to better understand and thus to better protect the bowhead whale. Therefore, we ask that the United States Senate recognize the importance of the AEWC's research and management programs by continuing the current level of funding for these programs and by providing language in its Committee Report specifying the reasons for this appropriation.

Thank you for considering this request.

SEA GRANT FUNDING

Senator HOLLINGS. Dr. Knauss, on coastal zone management and sea grant, yes, we find you are funding them, but coastal zone is cut some 12 percent. Sea grant, and you are one of the originators of the sea grant, was reduced about 33 percent.

We are going to increase the global climate change some $80 million while I cut the ongoing programs $17 million. Tell us about that. Here Mr. Sea Grant himself comes to town and cuts sea grant. How are you explaining that to your friends, or are they still your friends? [Laughter.]

Dr. KNAUSS. Mr. Chairman, it is sort of like the glass is one-half empty or the glass is one-half full.

Senator HOLLINGS. This is $17 million less.

Dr. KNAUSS. But you remember last year and in previous years, when there were zero dollars, and the President——

Senator HOLLINGS. I am like Ronald Reagan; I don't remember. [Laughter.]

Dr. KNAUSS. Sea grant was zero. I thought I had done a marvelous job of convincing the Department of Commerce and the President to go from almost zero in the budget to $27 million in sea grant and $30 million in coastal zone management.

I realize that it is not as much money as Congress has given in the past, but given the budget constraints and given my concern and given the President's concern about the other important issues, including the one you noted, climate and global change, I think what I am presenting to you is a reasonable, well-balanced budget, sir.

FORMATION OF DEPARTMENT OF ENVIRONMENT

Senator HOLLINGS. On climate and global change, we have the Department of Environment proposed. I don't know what the House provisions were in the particular bill, but we do not want to duplicate, of course, the wonderful correlation of expertise that you have in NOAA. What about it? What about the proposed department itself and, of course, NOAA's research capacity?

Dr. KNAUSS. Well, I am not aware of any movement at this time to suggest that the Department of Environment or the movement of EPA into a Department of Environment will have any effect directly on NOAA. If, at some time later, either the President or Congress decides that there should be some changes in the alignment of Federal agencies involved in the environment, we obviously are prepared to go wherever we are sent.

But for the moment, quite frankly, I think that NOAA does very well in the Department of Commerce, and I hope we can stay in the Department of Commerce. I don't believe there is any need for duplication of the kinds of things that NOAA does and the kinds of things that EPA does. We try very hard not to duplicate at present. I think we have a fair amount of success in ensuring that we don't duplicate.

There are areas, as you well know, where we have programs that are somewhat comparable, some of the estuarine areas, but in general, EPA is a regulatory agency and NOAA is not a regulatory agency, except that we do regulate the fisheries, of course, the marine fisheries.

Senator HOLLINGS. So you do not see, under the new department, as recommended by the President, any conflict or constraints, whatever, in your particular work?

Dr. KNAUSS. Well, it is my understanding that what the President has recommended, is that the EPA be elevated to Cabinet status without pending changes in the EPA mandate, other than the fact that it is to be a Department of Environmental Protection rather than the Environmental Protection Agency.

I am not certain what happened yesterday with respect to what the House of Representatives passed, but at least that is what the President has recommended that there will be. I think I can guarantee you that there will be no duplication.

COASTAL ZONE FORMULA GRANT FUNDING

Senator HOLLINGS. Very good. Going back to the cutting of coastal zone management. Your cut of some $6.4 million from the 1990 level of $42.6 million reduces the 306 grants. That is based on a new authorization bill that would move away from the formula grant to a competitively awarded grant. If that authorization isn't changed, does NOAA expect to submit a budget amendment to maintain the program as is?

Dr. KNAUSS. I am sorry. I don't understand that.

Senator HOLLINGS. If the change isn't enacted, are we going to have funds to restore the formula grant funding?

Dr. KNAUSS. No; I think what we are suggesting in our reauthorization bill is that we would like to move gradually from the formula grant to the competitive grants. In the first year of the budget, there will be no change. It will all be as it was in the past with the formula grant. It will take us a year, we believe, to establish the program and the regulations and the understanding of how these competitive grants will work.

Senator HOLLINGS. And more personnel and more cost?

Dr. KNAUSS. No more personnel, no more cost, we don't believe. We think we can do it with the same number of people. We do believe, and Senator, you may remember back in 1970 and 1972 when you and I were both trying to push the Coastal Zone Management Act and getting it started, that there was a sense, at least in the beginning, that the Federal Government should provide all of the funds or most of the funds for the development of the infrastructure within the States.

There was some concern, I know amongst at least some of us, that as this program got developed, that the State would take over much of the infrastructure and support of the Coastal Zone Management Program and the Federal support for the program would go on to do the kinds of things that we are proposing here; that is, to mainly look at the more critical national needs where we think we can, by reaching our funds, guide the States, if you will, or encourage the States to take on issues such as nonpoint source pollution problems, habitat restoration, and so forth.

What we are trying to do in this reauthorization is to make that move somewhat slowly, but to ask the States, and many States, of course, already are, as you well know, providing a large amount of support for the Coastal Zone Management Program, and this is just a movement in that direction.

SEA GRANT FUNDING

Senator HOLLINGS. Very good. On sea grant, we have no funding requested for the marine advisory service agents at all; is that right?

Dr. KNAUSS. That is right, sir.

Senator HOLLINGS. How much did NOAA request for sea grant for 1991?

Dr. KNAUSS. We have $27 million in our request for 1991. For 1990, we requested zero.

Senator HOLLINGS. And you got the exact amount you requested?

Dr. KNAUSS. No; we got more than we requested in 1990.

Senator HOLLINGS. No; I am talking about 1991 from the Department. Did you request only $27 million?

Dr. KNAUSS. We requested $30, and the Department gave us $27 million. That is right, sir. I'm sorry. You are right.

REGIONAL CLIMATE CENTERS

Senator HOLLINGS. With respect to the regional climate centers, this year, of course, we have six centers: New York, Illinois, Nebraska, Nevada, South Carolina, and Louisiana. How come we have no role for the regional climate centers in the global climate program, and why are the 1990 grants long overdue? Can you tell us something about that, and what you expect of those regional centers?

Dr. KNAUSS. I am pleased to report, sir, that I think we solved the grants problem as of last week.

Senator HOLLINGS. Oh, good.

Dr. KNAUSS. They were overdue, but you are right.

"EXXON VALDEZ" REIMBURSEMENT

Senator HOLLINGS. On the *Exxon Valdez* oilspill you have already had to put out $7 million. Did you get reimbursed for it?

Dr. KNAUSS. No; not everything. [Laughter.]

We have; yes and no. We have gotten some reimbursement for some of the work we did previously, but at the present, we have an estimate that to continue to work this year the cost may be as much as $7.5 million.

We are still working on that figure. We do not have final numbers, and we will not have for some time, and as of the moment, that will require reprogramming of money within our budget. How much reprogramming, we do not know. It is an issue which is presently under study within NOAA.

LANDSAT POSITION

Senator HOLLINGS. Landsat VI is going to be launched on an Air Force Titan II missile next year. However, you have no funds requested whatever in the 1991 Landsat budget for operations. What about that? Do you think we will be able to continue the program as now budgeted?

Dr. KNAUSS. The position within the administration this next year on Landsat is that those agencies which make the most use of Landsat information will be charged, if you will, for the cost of Landsat, and NOAA makes very little use of Landsat. It makes almost no use of Landsat data, and so therefore, it is not in our budget, but the money will be transferred from other agencies to NOAA to provide for this support of the Landsat. That takes care of this year.

NOAA FLEET

Senator HOLLINGS. What about the NOAA fleet, Doctor? What can you tell the committee about that fleet and its particular status at this time, and what are your plans now as the new Administrator?

Dr. **Knauss**. Well, the NOAA fleet is old. Some of the ships are laid up. It is not a modern fleet. There are some exceptions. It is not what one might call a modern fleet. It doesn't have the kind of modern equipment on it that one would like to see and one would expect to see with respect to a proud, NOAA fleet.

One of the things I did when I came here was to try to review the status of the fleet as well as plans for the future of the fleet. I was not particularly satisfied with what had been done in the past. For whatever reasons, I think that there had not been much encouragement to do a real in-depth study of what the needs were for the NOAA fleet.

We have such a study underway at the present time, and it is on a fast track, to look at what the NOAA needs are with respect to the fleet, with respect to charting and mapping, with respect to our fisheries program, with respect to our increased program in research with such things as climate and global change—the three general missions where we need ships.

It is my hope, that we will have that study completed by August of this year, in time to have something put into the budget request for 1992. It is my concern and it is my goal that you will, indeed, have a well-thought through program for the combination of replacement and modernization of the NOAA fleet available shortly; that is, hopefully, in time for the 1992 budget, at least some aspects of the 1992 budget.

I can't guarantee that, but that is my goal at this time. How big that fleet will be in the future, I don't know. It may be smaller than our present fleet; it may be bigger than our present fleet, but we are starting from ground zero and looking at what we think the needs will be over the next 25 years and to develop those needs in those three areas for charting, research, and fisheries and to develop what we can all be proud of that will be effective and efficient.

GOES COST ESTIMATE

Senator **Hollings**. Very good. On the Department's responses to my question on the GOES weather satellite, I am still concerned that the funding schedules are inadequate to ensure the continuous GOES weather satellite coverage.

Can we expect a revised cost estimate for fiscal 1991?

Dr. **Knauss**. Yes, sir; I am nervous, also.

Senator **Hollings**. What should we do there in the event of a launch failure and otherwise?

Dr. **Knauss**. Well, all I can say is we expect to hear from NASA, the people who are managing the GOES satellite development program for us, the replacement satellite, sometime next week as to what their estimates are with respect to the costs to get the new GOES up and when we will get it up. When we get those cost estimates, we will have to go back and consider what our options are. At this point, there is nothing I can tell you.

Senator **Hollings**. Will you look at it for us and let us know, particularly with respect to any kind of contingency plan for a launch vehicle? There was nothing in the responses of any kind of moneys at all for that, if you had it.

Dr. KNAUSS. Excuse me, sir. The most serious part of the problem is the possibility of a launch failure, if we have one when one goes up there. You are right.

Senator HOLLINGS. Right.

Dr. KNAUSS. We have done some work on that. Our estimate is that there is no more than a 10-percent chance of a failure within the next couple of years before the new GOES gets up. On the other hand, 10 percent is not a trivial number when it comes to such things, and we have put in a plan as to how we would satisfy the real needs of the Weather Service and others by using, primarily, our polar orbiting satellite and reformatting some of the information that comes from that so we can provide, not as well as we would like but at least much better than nothing, comparable information that we now get from the GOES satellite.

We have that contingency plan underway. We have done some dry runs on it. We hope we will never have to put it in place.

So we have a contingency plan in case the present GOES satellite should go down. We only have one. As to the new GOES that is going to go up, as I said before, we will get the budget estimates from NASA, I am told, sometime next week.

STATEMENT OF IRWIN M. ALPERIN

[CLERK'S NOTE.—Subsequent to the hearing the subcommittee received a statement from Irwin M. Alperin, the executive director of the Atlantic States Marine Fisheries Commission with regard to NOAA's fisheries programs. By direction of the chairman the statement has been printed in the record.]

[The statement follows:]

STATEMENT OF IRWIN M. ALPERIN, EXECUTIVE DIRECTOR, ATLANTIC STATES MARINE FISHERIES COMMISSION

MR. CHAIRMAN, ON BEHALF OF THE ATLANTIC STATES, THE GULF STATES, AND THE PACIFIC STATES MARINE FISHERIES COMMISSIONS, WE THANK YOU FOR THE OPPORTUNITY TO COMMENT ON THE FISCAL YEAR 1991 NATIONAL MARINE FISHERIES SERVICE (NMFS) BUDGET OF THE DEPARTMENT OF COMMERCE. OUR COMMISSIONS, REPRESENTING THE 24 COASTAL STATES, WERE ESTABLISHED BY CONGRESS TO BETTER UTILIZE THE NATION'S MARINE, SHELL, AND ANADROMOUS FISHERY RESOURCES. THE COMMISSIONS HAVE BEEN IN EXISTENCE SINCE THE EARLY 1940'S DURING WHICH TIME WE HAVE WITNESSED ALL MANNER OF PROGRAMS, LAWS AND FUNDING DIRECTED AT MARINE FISHERIES.

WE BELIEVE THE HIGHEST PRIORITY USE OF NATIONAL MARINE FISHERIES SERVICE FUNDS SHOULD BE COOPERATIVE STATE/FEDERAL PROGRAMS FOR MANAGEMENT OF INTERJURISDICTIONAL FISHERIES. THIS NOT ONLY INCLUDES FISHERY MANAGEMENT PLAN DEVELOPMENT AND MODIFICATION BUT ALSO FISHERY MONITORING, DATA COLLECTION AND ANALYSIS, RESEARCH, DEVELOPMENT, ENFORCEMENT AND HABITAT PROTECTION.

WE ARE PLEASED TO SEE THAT THE ADMINISTRATION'S REQUEST FOR FY 1991 IS 55% LARGER THAN LAST YEAR'S REQUEST. THIS IS A SIGNIFICANT STEP AWAY FROM THE IRRESPONSIBLE TREND OF THE PREVIOUS NINE YEARS. HOWEVER, THE REQUEST IS STILL FAR SHORT OF LAST YEAR'S APPROPRIATION BY ABOUT $32.0 MILLION AND EVEN FURTHER AWAY FROM WHAT IS ACTUALLY REQUIRED TO PROPERLY STEWARD OUR NATION'S RESOURCES.

WE COMMEND YOU FOR YOUR PREVIOUS ACTIONS TO PREVENT BUDGET REDUCTIONS AND URGE THAT YOU AGAIN RESTORE AND INCREASE THE NMFS APPROPRIATIONS.

MAINTAINING THE RENEWABLE OCEAN RESOURCES WHICH SUPPORT THE TREMENDOUSLY VALUABLE RECREATIONAL AND COMMERCIAL FISHERIES REQUIRES AN ADEQUATELY FUNDED FEDERAL PROGRAM THAT WILL COMPLIMENT THE ENORMOUS AND STABLE INVESTMENTS BEING MADE BY OUR COASTAL STATES.

THE INTERSTATE COMMISSIONS BELIEVE THAT THE FOLLOWING ADDITIONS TO CURRENT LEVELS OF FUNDING ARE THE MINIMUM NEEDED TO PROPERLY SUSTAIN AND MANAGE MARINE FISHERY RESOURCES. OUR RECOMMENDATIONS REFLECT AN EXPECTATION OF: 1) A CONTINUED FEDERAL ROLE AND FINANCIAL RESPONSIBILITY IN DAY-TO-DAY FISHERIES MANAGEMENT; 2) A CONTINUED STATE/FEDERAL PARTNERSHIP IN INTERJURISDICTIONAL FISHERIES WITH FEDERAL MATCHING OF STATE FUNDING; 3) A RESTORATION OF SPENDING POWER LOST TO SEVERAL YEARS OF INFLATIONARY EROSION; 4) A COMMITMENT TO COLLECTING RECREATIONAL FISHERIES STATISTICS AS WELL AS COMMERCIAL STATISTICS; AND 5) THE NEED TO "BRING OF AGE" THE COMPUTER PROCESSING EQUIPMENT OF NMFS:

State and Industry Assistance	FY 1990 Appropriations (Thousands)	FY 1991 Needs (Thousands)	Additions (Thousands)
Interjurisdictional Fisheries Grants	3,500	5,000	1,500
Interstate Fisheries Commissions	330	350	20
Anadromous Grants	2,354	3,000	646
Striped Bass Research	471	500	29
Conservation and Management			
Regional Councils	7,233	9,000	1,767
Information Collection and Analysis			
SEAMAP	942	2,500	1,558
MARFIN	3,000	3,500	500
PACFIN	1,000	3,000	2,000
Fish Statistics			
Recreational Statistics	2,200	4,400	2,200
ADP Systems Upgrade	0	3,000	3,000

INTERJURISDICTIONAL FISHERIES ACT OF 1986 ($5,000,000)

THE ACT IS IN THE PROCESS OF BEING REAUTHORIZED THIS YEAR. THIS VITAL PROGRAM IS OF EXTREME IMPORTANCE WITH REGARD TO COLLECTING THE INFORMATION TO ADDRESS FEDERAL AS WELL AS STATE MARINE RESOURCES. THIS PROGRAM PROVIDES GRANTS TO STATES FOR USE ON PRIORITY PROJECTS SUPPORTING MANAGEMENT OF INTERJURISDICTIONAL FISHERIES. ON THE WEST COAST THE MAJORITY OF MONEY IS SPENT TOWARD IMPLEMENTING FEDERAL FMPS DEVELOPED UNDER THE MAGNUSON ACT. ON THE EAST AND GULF COAST, THE MIX IS LESS. HOWEVER, TERRITORIAL SEA COORDINATION IS VITAL FOR MANAGEMENT THROUGHOUT THE RANGE OF THESE RESOURCES. FOR EXAMPLE, 98% OF ALL OF THE FISHERIES IN THE GULF OF MEXICO ARE DEPENDENT ON THE NEARSHORE ESTUARINE ENVIRONMENT FOR A PORTION OF THEIR LIVES. THE INTERJURISDICTIONAL FISHERIES PROGRAM REQUIRES STATE MATCHING DOLLARS FOR THE FUNDS WHICH EXTEND THE STATE/FEDERAL COOPERATIVE NATURE OF THIS ACT.

INTERSTATE FISHERIES COMMISSION $350,000)

THE THREE INTERSTATE COMMISSIONS ARE CHARGED UNDER THE INTERJURISDICTIONAL FISHERIES ACT TO FACILITATE THE DEVELOPMENT OF MANAGEMENT PLANS. THE STATES PROVIDE THE EXPERTISE FROM THEIR RESEARCH AND DATA COLLECTION PROGRAMS; AND THE COMMISSIONS (AS COORDINATING BODIES) DEVELOP, PRINT, DISTRIBUTE, AND MONITOR THE FISHERY MANAGEMENT PLANS. FISHERY MANAGEMENT PLANS ARE THEN COORDINATED WITH THE STATES FOR IMPLEMENTATION AND WITH THE COUNCILS, WHERE APPROPRIATE, FOR COORDINATED MANAGEMENT THROUGHOUT THE RANGE OF THE MARINE RESOURCES. EXAMPLES OF PLANS DEVELOPED ALREADY BY THIS PROGRAM INCLUDE ATLANTIC MENHADEN, NORTHERN SHRIMP, BLUEFISH, PACIFIC THRESHER SHARK, SOUTHEAST ALASKA ROCKFISH, GULF MENHADEN, GULF BLUE CRAB AND BLACK DRUM.

ANADROMOUS FISH CONSERVATION ACT OF 1965 ($3,000,000; $500,000)

THIS PROGRAM PROVIDES MATCHING GRANTS TO STATES, UNIVERSITIES, AND OTHER ENTITIES CONDUCTING RESEARCH ON ANADROMOUS SPECIES SUCH AS SALMON, STRIPED BASS, SHAD AND RIVER HERRING WHICH MIGRATE THROUGHOUT STATE, FEDERAL, AND INTERNATIONAL WATERS AND ARE HARVESTED IN ALL THESE AREAS. THESE VALUABLE RESOURCES ARE SUBJECT TO INTENSE FISHING PRESSURE. THEIR DEPENDENCE ON FRESHWATER HABITAT SUBJECTS THEM TO MANY MAN-MADE ENVIRONMENTAL CHANGES ADVERSELY AFFECTING THEIR HABITATS. THESE FACTORS REQUIRE EXTRA ATTENTION TO THE ANADROMOUS RESOURCES AND JUSTIFY FEDERAL RESOURCES FOR RESTORATION AND MAINTENANCE OF THESE SPECIES. THE ADMINISTRATION AGAIN PROPOSES TO TERMINATE THIS PROGRAM. WE RECOMMEND APPROPRIATIONS OF $3 MILLION FOR SECTION 4 MATCHING TO STATES GRANTS. IN ADDITION, $500,000 IS REQUIRED TO SUPPORT THE EMERGENCY STRIPED BASS STUDIES.

REGIONAL COUNCILS ($9,000,000)

MOST FISHERIES ARE NOW FULLY DOMESTIC BUT FACE CONTENTIOUS ALLOCATIVE ISSUES RELATED TO BYCATCH, EXPANDING FISHING POWER, AND COMPETITION FOR FISHING GROUNDS. THE COUNCILS MUST ADDRESS THESE PROBLEMS, MAINTAIN THE VIABILITY OF THE RESOURCES, AND REBUILD WHERE NECESSARY. BUT THEY ARE UNDERSTAFFED AND THERE IS LITTLE MONEY FOR OUTSIDE ANALYSIS OR FOR REQUIRED MEETINGS WITH INDUSTRY.

THE WORKLOAD, MEASURED BY THE NUMBER OF FISHERY MANAGEMENT PLANS, HAS INCREASED FIVE-FOLD, BUT THE COUNCILS HAVE REMAINED FUNDED AT ABOUT $7 MILLION SINCE 1980. MOST OF THE COUNCILS CANNOT MEET THEIR OBLIGATIONS UNDER THE MAGNUSON ACT WITH THE FUNDING PROPOSED BY THE ADMINISTRATION, AND MANAGEMENT FOR MANY OF THE NATION'S FISHERIES WITHIN THE EEZ WILL BE SERIOUSLY AFFECTED.

SOUTHEAST AREA MONITORING AND ASSESSMENT PROGRAM - SEAMAP ($2,500,000)

THE SOUTHEAST AREA MONITORING AND ASSESSMENT PROGRAM (SEAMAP) IS A STATE, UNIVERSITY AND FEDERAL PROGRAM FOR COLLECTION, MANAGEMENT AND DISSEMINATION OF FISHERY INDEPENDENT DATA AND INFORMATION. IT IS NOT A RESEARCH PROGRAM. THROUGH COOPERATIVE PLANNING, SURVEYS AND DATA MANAGEMENT, SEAMAP MAKES ESSENTIAL FISHERIES AND ENVIRONMENTAL DATA

AVAILABLE TO FISHERY MANAGERS AND RESEARCHERS FOR THE LOWEST POSSIBLE COST. THIS PROGRAM HAS BEEN HIGHLY SUCCESSFUL, RESULTING IN MORE THAN A 400 PERCENT INCREASE IN AVAILABLE DATA COMPARED TO PERIODS PRIOR TO SEAMAP. THESE DATA HAVE AND ARE BEING USED TO EVALUATE A MAJOR FEDERAL FISHERY MANAGEMENT MEASURE IN THE GULF KNOWN AS THE "TEXAS CLOSURE" AND HAVE BEEN INVALUABLE IN GUIDING STATE MANAGEMENT DECISIONS PRIMARILY RELATED TO THE OPENING AND CLOSING OF SHRIMP AREAS. SEAMAP TAKES ADVANTAGE OF THE NUMEROUS SAMPLING PLATFORMS (VESSELS) AND SCIENTIFIC AND TECHNICAL CAPABILITIES EXISTENT IN THE SOUTHEAST. WHERE SAMPLING PREVIOUSLY WAS DONE INDEPENDENTLY, NOW A COORDINATED, COST-EFFECTIVE PROGRAM COLLECTS ENVIRONMENTAL AND BIOLOGICAL SAMPLES INSHORE AND OFFSHORE. AT THE SAME TIME, COMPARATIVE ANALYSES ARE DONE TO GET A BETTER UNDERSTANDING OF THE TREMENDOUSLY DYNAMIC GULF OF MEXICO OCEAN SYSTEM. THIS PROGRAM HAS ALSO WORKED INTERNATIONALLY WITH THE MEXICAN NATIONAL INSTITUTE DE PESCA (FISHERY AGENCY) AND THEIR VESSELS. PROGRAM EMPHASIS IS ON THOSE RESOURCES WHERE THERE IS A JOINT STATE AND FEDERAL RESPONSIBILITY.

DUE TO SUB-REGIONAL DIFFERENCES IN FISHERY RESOURCES, MARINE ECOSYSTEMS AND DATA, AND INFORMATION REQUIREMENTS, SEAMAP IS DIVIDED INTO THREE PROGRAM ELEMENTS: SEAMAP-GULF OF MEXICO, SEAMAP-SOUTH ATLANTIC, AND SEAMAP-CARIBBEAN. WHILE SIMILAR IN PURPOSE, ORGANIZATION AND SCOPE, EACH SEAMAP ELEMENT HAS ITS OWN UNIQUE MANAGEMENT AND ORGANIZATIONAL STRUCTURE. SEAMAP-GULF OF MEXICO AND SEAMAP-SOUTH ATLANTIC HAVE BOTH DEVELOPED COMPREHENSIVE FIVE-YEAR OPERATIONS PLANS AND A NEWLY FORMED SEAMAP-CARIBBEAN IS DEVELOPING SUCH AN OPERATIONS PLAN.

PRIMARY USERS OF SEAMAP DATA ARE STATE AND FEDERAL FISHERY MANAGEMENT AND RESEARCH AGENCIES AND ORGANIZATIONS. THE MAJOR PRODUCT FROM SEAMAP IS A COMPREHENSIVE DATA BASE ON LIVING MARINE RESOURCES IN THE SOUTHEAST REGION. THIS DATA BASE IS AVAILABLE TO ALL USERS.

THE SOUTHEASTERN STATES CONCUR ON THE PRESSING NEED FOR FISHERY-INDEPENDENT DATA COLLECTING AS A MANAGEMENT TOOL TO DEVELOP AND ENHANCE INDIVIDUAL FISHERIES, THOUGH NO STATE HAS THE FINANCIAL CAPABILITY TO CONDUCT THE SCOPE OF SURVEY NEEDS IDENTIFIED BY THE SEAMAP PROGRAM. CURRENT LEVELS OF FUNDING FOR SEAMAP, SET AT ONE MILLION DOLLARS IN FY 1990, ARE INADEQUATE FOR THE NEEDED INSHORE AND OFFSHORE FISHERIES SURVEYS. THROUGH THIS REQUEST, IT IS PROPOSED TO FUND SEAMAP AT 2.5 MILLION DOLLARS IN FY 1991, ALLOWING FOR EXPANSION OF THE PROGRAM TO ITS FULL CONCEPT, INCLUDING THE INITIATION OF CARIBBEAN SAMPLING ACTIVITIES AND AUGMENTING THE EXISTING SOUTH ATLANTIC AND GULF OF MEXICO ACTIVITIES.

MARINE FISHERIES INITIATIVE - MARFIN ($3,500,000)

THE MARINE FISHERIES INITIATIVE (MARFIN), IS DESIGNED TO INCREASE THE ECONOMIC CONTRIBUTION OF UNDERUTILIZED AND UNUTILIZED SPECIES, DEVELOP MORE VALUABLE PRODUCTS FROM EXISTING FISHERIES, DEVELOP EXPORT MARKETS, FORECAST VARIATION IN YIELDS, AND CONSERVE AND MAINTAIN PRESENTLY EXPLOITED RESOURCES. THE GULF OF MEXICO'S LANDINGS ADD OVER $5.6 BILLION ANNUALLY TO THE ECONOMY AND PROVIDE OVER 30,000 JOBS. THIS ADDITIONAL INVESTMENT IN FISHERIES RESEARCH COULD DOUBLE THE CURRENT VALUE OF THESE DEVELOPMENTS.

THE PROGRAM HAS RESULTED IN 100 PROJECTS FUNDED THROUGH COOPERATIVE AGREEMENTS, AND 29 PROJECTS HAVE BEEN COMPLETED WITH NMFS, THUS SHOWING THE EFFORT TO HAVE A BROAD CROSS SECTION OF THE GULF MARINE COMMUNITY ADDRESSING COMMONLY IDENTIFIED PROBLEMS. THE PROGRAM MANAGEMENT BOARD GUIDES THE IDENTIFIED, PRIORITIZED PROJECTS TO THE BEST ENTITY IN THE GULF WITH REGARD TO ABILITY AND COST TO DO THE WORK. THIS INSURES BROAD BASED, COORDINATED WORK. MAJOR COORDINATED WORK ON RED DRUM, MACKERELS (KING AND SPANISH), MULLET, AND TURTLE EXCLUDER DEVICES (TEDS) HAVE BEEN ACCOMPLISHED IN THE LAST YEARS. WITHOUT THE MARFIN PROGRAM-SUPPLIED INFORMATION, THE SEVERE PROBLEMS WITH REGARD TO THESE IMPORTANT SPECIES WOULD HAVE BEEN EVEN WORSE.

PACIFIC FISHERY INFORMATION NETWORK ($3,000,000)

TIMELY DATA ARE NEEDED FOR EFFECTIVE MANAGEMENT. PACFIN PROVIDES SUCH INFORMATION -- ENABLING MANAGERS AND INDUSTRY TO TRACK CATCHES BY

AREA AND TO PLAN BETTER. IT IS THE NATION'S FIRST REGIONAL FISHERIES DATA NETWORK. FISHERIES OFF ALASKA, WASHINGTON, OREGON, CALIFORNIA, HAWAII, AND THE AMERICAN FLAG PACIFIC ISLANDS PROVIDE INFORMATION TO A CENTRAL DATA BASE ACCESSIBLE TO ALL. THESE STATES ALREADY CONTRIBUTE OVER $25 MILLION ANNUALLY IN DATA COLLECTION AND PROCESSING TO THIS MULTI-AGENCY EFFORT WHICH ALSO INCLUDES THE WEST PACFIN (HAWAII, AMERICAN SAMOA, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS, GUAM, AND NMFS). THE $3.0 MILLION IS NEEDED TO MAINTAIN THIS HIGHLY EFFICIENT DATA SYSTEM SO CRITICAL TO MANAGEMENT OF THE PACIFIC FISHERIES.

FISH STATISTICS (RECREATION STATISTICS $4,400,000 AND COMMERCIAL STATISTICS $3,800,000)

A HIGH PRIORITY FOR FUNDING, RECOMMENDED BY THE SECRETARY OF COMMERCE'S MARINE FISHERY ADVISORY COMMITTEE (MAFAC), THE REGIONAL COUNCILS, AND THE STATES IS FOR FISHERIES STATISTICS. THE PROBLEM IS FUNDAMENTAL: OUR FISHERIES INFORMATION BASE AND THE ABILITY TO DO ANALYSES IN A TIMELY FASHION IS INSUFFICIENT TO SUPPORT SOUND MANAGEMENT. THE DEMAND FOR MANAGEMENT HAS INCREASED DRAMATICALLY OVER THE PAST DECADE WHILE THE DATA PROVIDED TO FISHERY MANAGERS HAS ACTUALLY DECREASED. PUT IN THE SIMPLEST TERMS - WITHOUT ADEQUATE, TIMELY AND SOUND DATA, FISHERIES MANAGEMENT DECISIONS CANNOT BE SCIENTIFICALLY ADDRESSED. THE MORE RESPONSIVE SOPHISTICATED MANAGEMENT OF MARINE RESOURCES REQUESTED, THE MORE CRITICAL BETTER DATA IS TO ACCOMPLISH THE TASK. LESS THAN 5% OF THE NMFS $180 MILLION BUDGET WAS SPENT LAST YEAR FOR BASIC FISHERY STATISTICS FOR RECREATIONAL AND COMMERCIAL INDUSTRIES WHICH CONTRIBUTE MANY BILLIONS OF DOLLARS TO THE U.S. ECONOMY. THE MARINE RECREATIONAL FISHERIES STATISTICAL SURVEY HAS BEEN LEVEL FUNDED AT AROUND $2.0 MILLION SINCE 1979. IT'S SPENDING POWER IS NOW SO LOW IN 1990 THAT THE PACIFIC COAST SEGMENT WAS DELETED! THE COMMERCIAL STATISTICS PROGRAM HAS ALSO BEEN CRITICALLY HAMPERED BY LACK OF PERSONNEL AND EMPHASIS.

SINCE ONLY 12 SPECIES WERE PROTECTED UNDER FISHERY MANAGEMENT PLANS IN THE EARLY 1980'S, AND 293 SPECIES ARE NOW UNDER MANAGEMENT, THE REQUEST FOR THIS INFORMATION IS EVIDENT. WE REQUEST THE TOOLS BY WHICH THE STATE AND FEDERAL AGENCIES CAN DO THE TASK REQUESTED.

ADP SYSTEMS UPGRADE ($3,000,000)

DATA MUST BE AVAILABLE QUICKLY TO MANAGE FISHERIES. NMFS' COMPUTER SERVICES ARE OBSOLETE, UNRELIABLE, AND UNECONOMICAL TO OPERATE AND MAINTAIN. FURTHER, THEY CANNOT HANDLE THE INCREASING VOLUMES OF DATA FROM THE FISHERIES. THE SYSTEMS MUST BE REPLACED TO PROVIDE TIMELY MANAGEMENT INFORMATION TO THE COUNCILS AND NMFS MANAGERS.

THANK YOU FOR THIS OPPORTUNITY TO COMMENT. AS IN PREVIOUS YEARS, WE RELY ON YOUR SUPPORT FOR THESE FISHERIES PROGRAM THAT ARE SO IMPORTANT TO OUR FISHERIES, COASTAL COMMUNITIES AND THE NATION.

STATEMENT OF JAMES E. ROTTSOLK

[Clerk's Note.—Subsequent to the hearing the subcommittee received a statement from James F. Rottsolk, the president and CEO of the Tera Computer Co., with regard to NOAA's fisheries programs. By direction of the chairman the statement has been printed in the record.]

[The statement follows:]

STATEMENT OF JAMES E. ROTTSOLK, PRESIDENT AND CEO, TERA COMPUTER CO.

Mr. Chairman and Members of the Committee, thank you for permitting me this opportunity to submit my remarks for the record on these proceedings on the subject of the fiscal year 1991 budget. The purpose of my testimony is to urge this committee's support for the High Performance Computing Initiative, presently pending before the Senate and the House, and to request that appropriations be made this year to the Department of Commerce to enable it to begin the initial phases of this very important program.

My name is James E. Rottsolk and I am President and CEO of Tera Computer Company located in Seattle, Washington. Tera, a start-up supercomputer company, was founded in 1987. Our corporate mission is the development of the next generation supercomputer. Tera's first product will be capable of performing up to 300 gigaflops per second, more than 100 times faster than today's fastest computer. Our current research and development production schedule anticipates completion of a prototype machine by 1992 and delivery of our first Tera machine by 1993.

This schedule is contingent on federal financial support. In fact, the very success or failure of our company, as well as that of other companies in our field, depends upon continued government support for high-performance computing research and development by federal agencies. Private dollars to support research and development in this high technology field are not abundant and those that are available must be leveraged by federal dollars. Given the fact that the U.S. government is the market for the newest and fastest supercomputers, support of this fragile industry with federal research funds and commitments to early purchases of new systems is wholly justified.

Mr. Chairman, you are most likely aware of the High Performance Computer Initiative. This program to support high speed computer development and to strengthen the roots of this industry against foreign competition, is a joint initiative by the Office of Science and Technology Policy and the Congress and is the culmination of ten years of multi-agency study. The National High Performance Computing Technology Act is currently pending before the Senate and the House. It is our every hope that this bill be passed and its various programs implemented before the end of this Congress.

The Federal High Performance Computing Program has the best potential to strengthen our national competitive position both directly in high speed computing and indirectly in the new research, product development and manufacturing that are made possible by these fast computers. The Plan is a comprehensive and interdisciplinary program for federal action that will involve the participation of the National Science Foundation, Department of Commerce (NIST, NOAA, and NTIA), NASA, Department of Defense, Department of Energy, Department of Health and Human Services (NIH) and other federal agencies as appropriate. I will address the remainder of my remarks to the importance of supercomputing capabilities to the Department of Commerce mission.

The Department of Commerce authorization, re-written this year as the American Technology Preeminence Act of 1990, symbolizes the degree of commitment necessary to strengthening and restoring America's technological superiority. Supercomputer development and access to supercomputer capabilities is especially critical to maintaining America's technological preeminence. The Act authorizes Department of Commerce activities and recommends funding of $100 million for the Advanced Technology Program.

Supercomputers are vital to the missions of the Department of Commerce, especially at the National Oceanic & Atmospheric Administration. Supercomputers will enable scientists at NOAA to observe, collect, analyze and disseminate data about the earth, oceans, atmosphere and space environment. Complex problems such as global climate change (global warming, ozone depletion, drought), changes that occur over decades and centuries, can be studied by using supercomputers, to simulate these events. Supercomputers are required as research tools to study our oceans (circulation, ecosystem and seasonal sea ice) as well. The need for supercomputer power to simulate space is well known.

Supercomputing is an enabling technology which leads to greater industrial productivity. Without advances in high speed computing, continued scientific (and, consequently, economic) advancement will be hindered. Without a strong domestic supercomputer industry, U.S. projects will fail to meet their objectives, or will be dependent on foreign manufacturers to do so. Such a failure is not necessary if timely federal support of supercomputer research and development is available.

Mr. Chairman, I realize that legislation to authorize the National High Performance Computing Program is pending and is not yet law. However, I believe it is incumbent upon the leadership of this committee to waste no time and to move forward with the appropriation of monies as authorized for fiscal year 1991. The American supercomputer industry stands on unsteady ground. We have already witnessed the closing of one supercomputer company and the schism of another. General purpose supercomputer manufacturers now consist of four companies: Cray Research Incorporated, and three new firms, Cray Computer Company, Supercomputer Systems, Incorporated, and Tera Computer Company. Time is short and the cost of a national failure in supercomputing is very high.

I hope that we can rely on your continued leadership in this field and on your continued dedication to maintaining the superiority of America's research capabilities. I thank you for your kind attention to my remarks and am happy to answer any questions you may have regarding this testimony or any other points that may be of interest to you and your committee.

ADDITIONAL COMMITTEE QUESTIONS

Senator HOLLINGS. Very good, sir. We appreciate your testimony. Do you have some further questions?

Senator ADAMS. I have no questions.

Senator HOLLINGS. Good. Thank you very much, Dr. Knauss. We will leave the record open for further questions. We appreciate you and your colleagues appearing here this morning.

Dr. KNAUSS. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

CLIMATE AND GLOBAL CHANGE

Dr. Knauss, in your statement you outlined the goals of the Climate and Global Change program. As someone who lives by the ocean I have a strong personal interest in that program. If the earth warms up, as some have predicted, my house would be underwater. Also, in 1988 I went to Antarctica and saw the hole in the atmosphere so I know its not all theory.

QUESTION:

So you have my support, but for the benefit of the readers of this record, briefly, and in layman's terms, just what are you going to do for $87,000,000 to achieve the goals you outlined?

ANSWER:

The proposed FY 1991 funding will enable NOAA to support a number of high-priority Climate and Global Change projects. NOAA's Climate and Global Change Program is a vital component of the U.S. Global Change Research Program (USGCRP) and enables the Agency to bring its unique talents and special capabilities to bear on some of the highest scientific priorities identified by the Committee on Earth Sciences in the USGCRP Research Plan. NOAA will pursue the following global change priorities:

- DOCUMENTING GLOBAL CHANGE--(i) enhance operational ocean observations; (ii) implement a global sea-level monitoring network; (iii) monitor changes in significant stratospheric constituents like ozone (joint project with NASA); (iv) develop and test new remote measurement technologies; (v) develop climate and global change measurement products derived from operational satellite and in-situ observations; (vi) improve climate diagnostics and analytical studies; and (vii) establish a national data and information management system in support of the USGCRP.
- FOCUSED PROCESS STUDIES--NOAA's research projects are aimed at some of the highest scientific priorities identified by CES and will complement those of the other participating agencies to provide significantly improved understanding of: (i) interannual climate variability through support of planned enhancements to the international Tropical Oceans-Global Atmosphere (TOGA) Program; (ii) the role of ocean circulation and dynamics in climate change, with particular emphasis on the importance of Atlantic Ocean circulation patterns on decadal climate change and the role of the ocean as a sink for atmospheric carbon dioxide; (iii) the sources,

sinks and behavior of greenhouse gases in the atmosphere through NOAA's Radiatively Important Trace Species (RITS) Program; (iv) the importance of dimethylsulfide produced by marine organisms as cloud condensation nuclei; (v) clouds, water vapor, and the global hydrological cycle, including NOAA contributions to the evolving international Global Energy and Water Cycle Experiment (GEWEX); and (vi) the effect of climate and related stresses on marine ecosystems.

- CLIMATE MODELING AND PREDICTION--In response to NOAA's longstanding environmental prediction and information services mission, the FY 1991 proposal ensures significant progress toward: (i) operational ocean modeling, (ii) near-term forecasting improvements to extend operational predictive capability on monthly and seasonal timescales, and (iii) the design and implementation of an effective multi-agency approach to significantly advance climate prediction capabilities on interannual and decadal timescales.

QUESTION:

Some of us recall that a good portion of the original EDA appropriations were used to carpet the Commerce Building, and other improvements. How can we be sure that this money won't be dissipated in beefing up NOAA's core programs and that a year or so from now we will be hearing that NOAA doesn't have funds for Global Change?

ANSWER:

The management structure and resource allocation strategy developed for the Climate and Global Change Program will ensure that funds are applied to high-quality projects which clearly contribute to fulfilling NOAA's responsibilities in meeting the goal and objectives of the U.S. Global Change Research Program. The Office of Global Programs (formerly the Office of Climatic and Atmospheric Research) is responsible for overall Program integration and management. Supporting the Office in this task is an external scientific review body (the NOAA Panel on Climate and Global Change) which advises the Agency on broad Program direction and recommends project priorities in the context of national and international global change activities and a Board of Directors representing NOAA senior management, which is responsible for agency-wide program coordination, resource allocation, and technical problem-solving. The key to continued effective management of an integrated NOAA Program like Climate and Global Change, is to ensure that these three elements operate effectively in the long-term to ensure broad-based NOAA planning and major programmatic decision-making.

A carefully designed strategy for resource allocation has now been successfully implemented during the Climate and Global Change Program's first two years. This strategy ensures that the highest-priority, highest-quality activities are supported in the context of the overall guidelines set forth during the development and approval of the Program as a key element of the national effort. Briefly, NOAA has agreed that funding for specific projects will be initiated and sustained through brief project proposals written by scientists or program managers who are responsible for their implementation. These project proposals are subject to review, primarily through the NOAA Panel on Climate and Global Change and augmented by mail review when necessary. Regular briefings for NOAA management and an annual "Priorities" meeting with the participation of the Panel will provide the opportunity to review the past year's activities and ensure the effective application of resources toward the Program's prediction and information services goal. NOAA believes that the established resource allocation strategy will ensure that the projects supported by the Climate and Global Program are:

o Relevant to the stated goal of the NOAA and national programs;

o Scientifically meritorious and ready for implementation;

o Well focused with clear timelines, milestones, and products;

o Appropriately coordinated with relevant NOAA line components and other agencies as well as related national and international programs and plans; and

o Provided with resources which adequately support the project and reflect an appropriate share of total available resources, particularly in light of the multiagency character of the global change program (i.e., reflect appropriate opportunities for cost-sharing or joint funding).

Adherence to this resource allocation strategy and the guidelines for the U.S. Global Change Program established through the CES will enable NOAA to contribute effectively to the national global change effort and fulfill its responsibility to maintain a balanced program of observations, analytical studies, mission-directed research, climate prediction, and information management.

QUESTION:

How much of the Climate and Global Change program will be done in-house and how much using external sources?

ANSWER:

NOAA's Climate and Global Change Program, like the national program it supports, recognizes that an effective global change research program must involve the broadest possible mix of investigators--inside and outside of the Federal Government. To achieve the maximum benefit from a partnership with the broad scientific community, the Climate and Global Change Program assumes that approximately 35 percent of the resources requested for FY 1991 will support work at academic institutions. An annual grants program, with protected funding to support extramural proposals which contribute explicitly to the objectives of the Climate and Global Change Program, has been and remains a critical element of the Program. The fundamental precepts of the Climate and Global Change Program, in fact, state that no less than 20 percent and up to 40 percent of the Program's new resources will support work by non-Federal investigators. In FY 1989, 20 percent of the $6 million in new resources was dedicated to the Extramural Grants Program and in FY 1990, nearly $4 million of the $18 million available for the Climate and Global Change Program will support such extramural projects.

REGIONAL CLIMATE CENTERS

QUESTION:

The budget proposes to eliminate the $1.8 million provided in 1990 for the 6 regional climate centers in New York, Illinois, Nebraska, Nevada, South Carolina, and Louisiana. How come, in an $86.9 million budget for climate and global change, there is no role for the regional climate centers?

ANSWER:

The Regional Climate Centers were not considered for funding under the USGCRP, indicating they are of low priority. These Centers should be funded by the state and regional interests they serve if these beneficiaries consider the Centers' services worthwhile.

QUESTION:

Last month, the Southeastern Regional Climate Center hosted a symposium entitled "Global Change: A Southern Perspective." The symposium concluded that the U.S. Global Change Program does not achieve regional specificity to regional studies on biological and physical elements which can be translated into global effects. Do you agree?

ANSWER:

No. Some of the earliest benefits of the U.S. Global Change Research Program, as described in the FY 1991 version of "Our Changing Planet" which accompanied the President's Budget, are climate predictions on seasonal time scales. These seasonal predictions, which employ extensions of techniques currently used for weather forecasting, are expected to be available in the next several years. They are inherently of a more regional nature than the existing model projections of global climate change into the next century. In addition, substantial progress is being made toward prediction of the El Nino/Southern Oscillation (ENSO) phenomenon. Projections of seasonal climate change resulting from ENSO are already being used by the agricultural communities in Australia and Peru to anticipate which crops to plant. Since there is considerable scientific evidence linking the ENSO cycle to the 1988 Midwest U.S. drought, it is quite conceivable that such droughts could be predicted by the end of the decade.

QUESTION:

We are informed that the grants for 1990 have not been made and are now 2 months overdue. The South Carolina, Nevada, and New York centers have run out of funds. Why can't NOAA get these grants out?

ANSWER:

Although some administrative delays have occurred, the grants are currently being processed by NOAA's new, centralized Grants Management Division and should be ready by mid-May 1990. Processing will be expedited as much as possible.

QUESTION:

Who is in charge of the grants as we have complaints about almost every NOAA grant being held up?

ANSWER:

In response to Inspector General audit reports, NOAA is beginning to address the problematic ways in which grants are processed. Initially changes in the processing requirements will cause some delays. Ultimately we expect to streamline the process, eliminate any unnecessary activities and mismanagement, and ensure a reasonable cost-benefit relationship associated with each grant. To handle this task, a new centralized Grants Management Division has been created in NOAA's Office of Administration. It has already significantly reduced the backlog and continues to increase the number of grant awards made on a weekly basis. The enormity of the task is apparent when one considers that every year NOAA awards over $200 million in grants and cooperative agreements to over 400 organizations under 22 major Federal assistance programs.

QUESTION:

NOAA is requesting $36.2 million for Coastal Zone Management. That is $6.4 million less than the $42.6 million provided for fiscal 1990. Perhaps, after the last 9 years, we should be grateful for some funding of CZM, but why aren't you requesting the full level we appropriated for 1990?

ANSWER:

We believe that the approach taken in the President's draft CZM reauthorization will result in stronger state programs at the $30 million funding level because the competitive nature of the proposed new grants will encourage states to accomplish more with these funds.

QUESTION:

The Administration's reduction in Sec. 306 grants is based on a new authorization bill that would move away from formula to competitively-awarded grants. If the Authorization isn't changed, is NOAA expected to submit a budget amendment to restore the formula grant funding? If you aren't making the change for awhile, why the reduction?

ANSWER:

NOAA strongly believes that a competitive section is needed in the state CZM grants process. This is a central part of H.R. 4438, the Administration's draft CZM reauthorization. It is incorporated in H.R. 4030, a bill introduced into the House of Representatives February 21, 1990, as well. However, if the authorization is not changed, an amendment is not necessary to restore formula grant funding since funds appropriated would be allocated according to the formula process contained in current law.

QUESTION:

The justifications indicate that $500,000 of the reduction is due to a finding of the Inspector General that program management could be reduced by that amount. Just how did the IG come to that conclusion?

ANSWER:

The IG's original audit stated that certain unnecessary overhead positions could be eliminated and by staggering the due dates of grant applications would eliminate the need for peak level staffing year round.

QUESTION:

Since the CZM grants are to be awarded competitively instead of pursuant to a formula, would not NOAA need more staff to read and rank the grant applications?

ANSWER:

No. The President's Budget reflects the amount requested by NOAA to DOC and DOC to OMB to carry out this function and is NOAA's best estimate of the costs to run this program.

SEA GRANT

For the first time in years, the 1991 Budget proposes funding for sea grant. A total of $27,498,00 is proposed. However, no funding is requested for the marine advisory service (MAS) agents.

QUESTION:

How much did NOAA request of the Department for Sea Grant for 1991?

ANSWER:

NOAA requested $30,000,000 for Sea Grant in FY 1991.

QUESTION:

Every county in the United States has an agricultural extension service agent funded by the U.S. Department of Agriculture. Why does NOAA want to deny similar assistance to our coastal counties?

ANSWER:

The Marine Advisory Service (MAS) agents, who are typically stationed in the various coastal counties and serve as information/technology transfer personnel, provide a service more appropriately funded by the State or local governments which directly benefit.

CONTROL OF GREAT LAKES ZEBRA MUSSEL

QUESTION:

Senator Glenn has introduced a bill, S.2244, that aims to prevent and control infestation of the coastal and inland waters of the United States by the Zebra Mussel. The bill assigns the coordination of this effort to the Secretaries of Commerce and Interior. The bill expects the U.S. Fish and Wildlife Service and the Sea Grant college program to carry out a research, control and eduction program. In fact, it directs the Marine Advisory Service of the Sea Grant Program--which NOAA seeks to eliminate--to perform the public information and education activities.

Has the Department taken a position on S.2244?

ANSWER:

The Department is reviewing S. 2244 and will have a position shortly.

QUESTION:

Have you told Senator Glenn that you are no longer funding the marine advisory service?

ANSWER:

No.

QUESTION:

Wouldn't this be the kind of the thing that the Great Lakes Environmental Research Laboratory (GLERL) could and should be involved in?

ANSWER:

GLERL is involved in exotic species research. GLERL is currently using base funds to initiate research on the zebra mussel and European waterflea. GLERL coordinates its exotic species research with Sea Grant, Fish and Wildlife Service, and Canadian agencies, such as the Center for Study of Inland Waters.

QUESTION:

Please explain how NOAA expects GLERL to take a $1,600,000 reduction. What would be the impact of that reduction?

ANSWER:

Consistent with the need to exercise overall restraint in Federal spending, GLERL's proposed budget of $3.2 million is intended to reflect and support NOAA's priority programs. The proposed budget will allow GLERL to continue to support: (1) those national activities required to implement research under the U.S.-Canada Water Quality Agreement and (2) other priority activities that are most central to NOAA's mission. Specifically, this proposal will reduce research in Great Lakes ice hazards, surface waves, and water level fluctuation, which are of local and regional interest but are not national priorities.

EXXON VALDEZ OIL SPILL

QUESTION:

Am I correct that NOAA's costs in connection with the EXXON VALDEZ Oil spill are in excess of $7,000,000?

ANSWER:

Yes, you are correct. The costs are being tracked in two categories, "response," and "damage assessment:"

NOAA Costs & Obligations (through 03/31/90)
(Dollars in Thousands)

	Costs/ Obligations	Reimbursements
Response....................	$4,072	$1,189
Damage Assessment..........	$7,730	$3,663

QUESTION:

Has NOAA been reimbursed for these costs?

ANSWER:

Reimbursements have been received for some of the costs.

Response costs are being reimbursed by EXXON through the U.S. Coast Guard Pollution Fund. $1,189,000 has been reimbursed to NOAA to date. The total amount NOAA has claimed to date is $2,544,000.

$3,663,000 in damage assessment costs were reimbursed by EXXON. This is NOAA's share of the $15 million paid by EXXON to the Trustees for initial damage assessment work.

QUESTION:

How has NOAA absorbed these costs; in other words what are we giving up?

ANSWER:

NOAA expects to receive full reimbursement for the response costs from the Coast Guard Pollution Fund. NOAA fully expects to be reimbursed for its damage assessment costs through the pending lawsuit against Exxon.

QUESTION:

Landsats 4 & 5 continue to operate beyond their expected useful life spans. Last year the Administration again budgeted nothing on the basis that they would not be operating in fiscal 1990, just as the budget proposed for 1989. However, the satellites continued to operate and transmit data, so Congress again provided funding for the first 6 month of the fiscal year.

Last year the Vice President and the space council found the additional funds to keep operations going through the end of the fiscal year. Has funding been lined up for the remainder of this fiscal year, and if so from whom?

ANSWER:

Funding for the operations of Landsat 4/5 for the second half of FY 1990 in the amount of $9.5 million has been secured from the Department of Defense, Agriculture, and Interior.

QUESTION:

No funds are requested in the 1991 Budget for Landsat operations. In view of past experience, wouldn't it have been prudent to budget for their operation?

ANSWER:

The funding was not requested for the operations of Landsats 4 and 5 in FY 1991 because they have exceeded their design life of 3 years and are expected to cease operating in 1990. Landsat 4 is eight years old and Landsat 5 is six years old. Both satellites are operating on redundant systems. Failure of any of their systems could terminate their mission.

QUESTION:

I understand that Landsat 6 will be launched on an Air Force Titan II missile in Mid-1991. Do you see any problems with making that schedule?

ANSWER:

Because of problems that EOSAT has had with the fabrication of the Landsat 6 remote sensing instrument, the launch of Landsat 6 is now expected to be postponed until late in 1991. A new launch date has not yet been determined.

QUESTION:

We originally spun off the Landsat program to EOSAT with the idea that the Government would pay for and launch 2 new Landsats. The Administration cut that back to one new satellite and a study. What is the status of the study?

ANSWER:

The future of the Landsat program is still under review by the National Space Council.

QUESTION:

Dr. Knauss, where are we really headed? Is there any confidence that EOSAT can exist without large federal subsidies?

ANSWER:

We expect that EOSAT will be able to operate Landsat 6 from the revenues obtained from the sale of data. However, recent studies commissioned by DOC at the request of the Congress concluded that a private sector entity would need substantial Government subsidies to cover the capital costs of a civil land remote-sensing system for another 15 to 20 years.

NEXRAD

QUESTION:

The National Weather Service employees organization has sent us a copy of the final report on the 5 month testing conducted on NEXRAD in Norman, Oklahoma by the Air Force. Is it correct that the report concludes that NEXRAD's overall performance did not meet the requirements "for providing weather warnings, weather advisory, and routine weather services?"

ANSWER:

No, this is not correct. An independent, tri-departmental test team under the overall management of the Air Force Operational Test and Evaluation Center (AFOTEC), conducted Initial Operational Test and Evaluation, Part 2 (IOT&E(2) on a prototype NEXRAD unit from March 6, 1989 to August 6, 1989. AFOTEC designed this test to be a rigorous operational shakedown of the prototype system to identify strengths and deficiencies. During the test, the Test Team used the system to support the operational missions of the National Weather Service (DOC), the Air Weather Service (DOD), and the simulated mission of a Center Weather Service Unit normally located in an FAA Air Route Traffic Control Center (DOT). The design configuration of the prototype unit was baselined as of January 1989 and frozen for the duration of IOT&E(2) with no corrections or enhancements allowed although improvements were available. Test results, therefore, represent only the operational capability of the NEXRAD prototype as of January 1989.

Test results showed that the NEXRAD prototype successfully met the operational effectiveness objectives. NEXRAD was an effective aid in providing weather warning, weather advisory, and routine weather services support. The high resolution data allowed operators to determine internal storm structure, understand atmospheric conditions, and prepare accurate severe thunderstorm warnings. During the test period, the Oklahoma City Weather Service Forecast Office achieved a 91% Probability of Detection with only a 21% False Alarm Rate compared to a 1988 national average of 58% and 57%, respectively. Test results also identified deficiencies such as low reliability of the prototype transmitter, poor recovery from power interruptions, operator workstation software errors, intermittent problems in data quality caused by improper velocity dealiasing and range unfolding, and immature technical manuals.

Solutions to all deficiencies were available by the conclusion of IOT&E(2), but as noted, could not be implemented while the test was being conducted. It should also be noted that the language of the IOT&E(2) Test Report is intentionally harsh since it is an instrument to be used by the Government to ensure full system contractor compliance with all NEXRAD program contractual requirements.

QUESTION:

The New York Times reported on February 18, 1990 that NOAA had agreed to buy $359,000,000 of NEXRAD equipment from the UNISYS Corporation. It appears that NOAA is betting that the kinks in the equipment can be worked out in spite of the Air Force report.

Why didn't NOAA wait until it knew it had a reliable product before signing the contract?

ANSWER:

Extensive testing conducted by in-house and external experts determined that NEXRAD was a reliable product before the Secretary of Commerce decided to exercise the full-scale production option. Many of the deficiencies recorded during IOT&E(2) had been previously identified during tests conducted by the NEXRAD Joint System Program Office (JSPO). While IOT&E(2) was being conducted, the NEXRAD JSPO, working with Unysis, continued a parallel effort to correct deficiencies identified during the previous JSPO testing and any new deficiencies reported during the test period. By the conclusion of IOT&E(2) on August 6, 1989, Unysis was prepared to implement corrections for the critical deficiencies that the IOT&E(2) FINAL Report identified and immediately began to do so. By October 1989, Unysis had successfully corrected all major NEXRAD deficiencies. This fact was verified in mid-October by an independent evaluation team of Doppler radar experts. On December 19, 1989, Unysis conducted a successful NEXRAD System Production Readiness

Demonstration. Senior officials of the Departments of Commerce, Defense, and Transportation witnessed this demonstration along with representatives from the Office of the Inspector General, Department of Commerce (DOC/IG). The DOC/IG has also reviewed IOT&E(2) results, investigated system performance capability, concurred that Unysis has resolved the major deficiencies, and found that the process in place would field NEXRAD units that would meet the mission requirements. In addition, before acceptance of the first limited production unit, the Government plans extensive testing to further verify that Unysis has corrected all deficiencies and that the production units meet the specified requirements.

Based on IOT&E(2) test results, the Independent Evaluation Team Report and the successful NEXRAD System Production Readiness Demonstration, the NEXRAD Program Council, the tri-departmental governing body, recommended that Unysis be ordered to proceed with full-scale production. In view of the NEXRAD Program Council recommendation, the Secretary of Commerce reconfirmed the NEXRAD Mission Need Statement on January 2, 1990, a step required prior to exercising the full-scale production option. The Government exercised the full-scale production option on January 8, 1990.

SILVER SPRING

QUESTION:

What is the current schedule for consolidating NOAA into the new Silver Spring buildings?

ANSWER:

Occupancy of Buildings 1 & 2 is underway. We anticipate completion by the end of June 1990.

QUESTION:

Am I correct that NOAA plans to move the National Ocean Survey out of good, convenient space in the Universal Building, to way out to Rockville? If so, Why?

ANSWER:

NOAA does intend to relocate National Ocean Service (NOS) offices from the Universal Building to Rockville, Maryland. At present NOS office locations are fragmented. There are approximately 200 NOS staff located at the Universal Building and 1,000 located in Rockville. The move will collocate the Assistant Administrator and two NOS suborganizations, now at Universal with the rest of the NOS organization. In addition to achieving operational efficiencies, NOAA will release 20,000 square feet of expensive space at the

Universal Building, realizing a rental cost avoidance of $458,000 annually.

QUESTION:

The last we heard was that the floors weren't level in the building at Silver Spring. What has been done about that and who is paying for it?

ANSWER:

There were two problems with the floors in Building 1. They were not constructed to meet the designed floor load capacity and they were not level. The General Services Administration (GSA) has negotiated with the developer, Foulger Pratt, to make the necessary repairs at no cost to the government. All repair work has been completed with the exception of the 3rd floor slab. This floor will be done prior to our completing occupancy in June 1990. GSA intends to hold Foulger Pratt financially liable.

QUESTION:

How much is in NOAA's 1991 budget for the move to Silver Spring and what does it cover?

ANSWER:

Requested funds in the FY 1991 budget of $3,473,000 would cover the lease partial and buy-out costs for systems furniture installed in Buildings 1 & 2, plus $750,000 to pay the final installment on the GSA loan.

QUESTION:

Our House counterparts told us at last years's conference that their agreement on the move to Silver Spring was accompanied by a policy of NOAA absorbing the costs of the move. Hence we lost the funding we recommended last year.

Has NOAA worked anything out with the other body with respect to the $3,473,000 in the 1991 budget?

ANSWER:

Both Department and NOAA staff have met with the House Appropriations Subcommittee staff and briefed them on the FY 1991 request for funding to complete the Silver Spring consolidation efforts.

QUESTION:

What would NOAA do if the we don't appropriate the $3,473,000?

ANSWER:

With the move of three NOAA line offices into Buildings 1 & 2 completed by the end of June 1990, the lack of appropriated funds to cover FY 1991 commitments for those buildings will require NOAA to absorb the costs as it did in FY 1990 by assessing the program funds of the line offices.

ALASKA GROUNDFISH RESEARCH

QUESTION:

The NOAA budget requests an additional $4.2 million to fund research on Bering Sea pollock and Alaska bycatch issues and to perform Alaska groundfish surveys and monitoring. Is this additional research sufficient to provide adequate information to adjust, if necessary, the fishing cap on groundfish in the Bering Sea and Gulf of Alaska?

ANSWER:

The North Pacific Fishery Management Council last considered increasing the upper-end of the Bering Sea groundfish fishing cap (optimum yield (OY) range) at its June 1988 meeting. Modification of the cap was disapproved due to: (1) the lack of a domestic observer program; (2) the absence of information on the potential impact of foreign fishing in the donut hole; (3) the lack of a good accounting system for determining total mortality imposed on target and non-target species; (4) the absence of information on the interaction of the fishery and marine mammals; and, (5) the absence of fishing effort controls.

The items included in the $4.2 million FY 1991 funding request (bycatch $750,000; surveys $700,000; Bering Sea pollock $750,000; and monitoring $2 million) address three of the five issues listed above. Information obtained from these data collection and research programs will reduce the uncertainty associated with the knowledge of the stock structure of pollock resource, the abundance of groundfish species located on the eastern Bering Sea slope and Aleutian Islands, the quantities of target and non-target species being caught by groundfish fisheries, and predator/prey interactions of commercially-important groundfish species. Detailed information on these topics will make possible a more informed and detailed discussion of issues surrounding modification of the fishing cap.

QUESTION:

We understand that, beginning in 1990, the groundfish fisherman in the Bering Sea and the Gulf of Alaska have been paying an observer to be aboard many of the vessels to collect biomass and other scientific data. Will the $2.5 million requested for Alaska groundfish monitoring replace or supplement that effort?

ANSWER:

The amount identified for groundfish monitoring is $2 million as opposed to the $2.5 million identified in the question. These funds would supplement existing groundfish industry funding of observers. Funds requested will support: the administration and operation of a system of observers and port samplers that can retrieve catch data and collect biological samples; the establishment of field stations at selected Alaska sites to facilitate the placement of observers, debriefing of observers, and preparation and collection of industry reporting forms and logs; the automated transferral of data from fishing vessels to computers based in Juneau, Alaska, and Seattle, Washington; data entry and analysis of information contained in Daily Cumulative Production, Product Value and Fishing logs; and the implementation of the data reporting requirements for the king and Tanner crab fishery management plan.

Funding for observer programs provides for: (1) administration, management, and infrastructure of the observer program; and, (2) hiring and deploying observers. Funds from this initiative will be used to support items listed in (1). Funds for the hiring of observers will be provided by: MMPA funds as in 1990, foreign and joint venture fishery observer funds, high-seas driftnet observer funds as in 1990, and industry sources.

NOAA FLEET

QUESTION:

A recent GAO report indicated that NOAA's program managers and fleet users believe that NOAA fleet support is currently inadequate for their needs and that their need for additional "DAYS-AT-SEA" over the next 20 years will increase considerably. The report recommended that NOAA adopt a plan to provide long-term ship support to its users. The 1991 Budget request indicates that 6 of the 25 vessels, or 24 percent are on inactive status.

What action is NOAA taking to complete the plan?

ANSWER:

NOAA is currently in the process of developing a plan to determine its needs for fleet support into the next century. A task force will address fleet requirements, size and mix, and alternatives.

QUESTION:

What step is NOAA taking to help narrow the difference between the demand for DAYS-AT-SEA and the available DAYS-AT-SEA?

ANSWER:

We have requested an increase of $2,010,000 to reactivate and operate the NOAA ship DAVIDSON in FY 1991. This will provide an additional 120 days-at-sea (DAS) in FY 1991 and 230 DAS in following years for mapping and charting.

QUESTION:

Are funds requested for needed fleet modernization?

ANSWER:

Yes. We have requested $4 million to begin a modernization and service life extension program for NOAA ships. The current fleet has an average age of 26 years. This modernization program must be started to assure the continuing existence of an operational fleet.

QUESTION:

GAO reported that NOAA's currently available resources are inadequate to support replacement and upgrade of older technology computer systems to assure integrity of data presently in and arriving at the data centers.

Why does the NOAA 1991 budget request ask for less money for environmental and data management than it received in 1990?

ANSWER:

The 1991 President's Budget requests an increase, not a decrease, for Environmental Data Management Systems. The amount requested in the FY 1991 President's Budget is $22,174,000 which is $638,000 more than the $21,536,000 received in FY 1990.

QUESTION:

What is the amount of funds to be earmarked for improving storage resources, preserving data, and preparing for future storage needs?

ANSWER:

Base funds in this program are continually used to improve data storage capabilities, preserve data, and plan for handling of future data.

QUESTION:

Is NOAA considering contracting out this storage function to the private sector?

ANSWER:

No. The stewardship of this national resource is a basic NOAA mission. However, contract support in fulfillment of this mission is being used and will continue to be used.

WEATHER SERVICE OFFICES

QUESTION:

How many weather offices does the Weather Service plan to close during the next 3 years and what do you see as the estimated savings?

ANSWER:

NWS does not anticipate consolidating any Weather Service Offices during the next 3 years. In compliance with Public Law 100-685 certification requirements, NWS intends to conduct the multi-station demonstration prior to consolidating any WSOs. The demonstration is currently planned to begin in 1993 and run for a period of one year.

Existing public warning and forecast stations will be maintained while the new systems are implemented and Weather Forecast Offices (WFOs) are established. As these WFOs are established, and it can be shown that they can assume the forecast and warning services with no deterioration of these services, then the weather offices will be consolidated.

QUESTIONS:

Has the service prepared a schedule of closings during that period which considers the installation of automated observer equipment and radar over that same period?

ANSWER:

The National Weather Service has not prepared a schedule of closings. However, the NWS has defined a process for complying with the certification requirements of P.L. 100-685. This process involves many more steps than just implementing automated systems. The steps to implementing the NWS modernization and associated restructuring program are described in a hierarchy of transition implementation plans. The National Implementation Plan (NIP) provides broad guidance for the internal elements of the NWS and for the external users of its warning and forecast services. The NIP is based on the Strategic Plan for the Modernization and Associated Restructuring of the National Weather Service that was published in March 1989.

The next tier in the planning hierarchy consists of the NWS Regional Transition Plans (RTPs). These plans provide regional guidelines for the realignment of operational responsibilities. The RTPs specify the specific program changes required and the steps to accomplish these changes in order to maintain a smooth transition from present operations to the modernized and restructured mode.

The final tier of the planning hierarchy consists of the Site Implementation Plans (SIPs) which detail specific actions and schedules for accomplishment of elements of the modernization and restructuring process. A separate SIP will be prepared for each Weather Forecast Office (WFO) and its area of responsibility and for each River Forecast Center (RFC) within the NWS. It is within these SIPs that specific plans and schedules for realignment of services, including the closing of offices, will be addressed in compliance with the certification requirements of P. L. 100-685. The precursor actions to the certification process will be identified within the individual SIPs and detailed schedules will be presented. The schedules as to when specific items will be accomplished will depend on several classes of activities such as advanced technology (e.g., the advanced NEXRAD radar system, the Automated Surface Observing Systems (ASOS) and the Advanced Weather Interactive Processing Systems (AWIPS)) implementation, professional staffing adjustments and training of NWS meteorologists and hydrologists in the use of the advanced technological systems and scientific applications.

FY 1991 PROPOSED DECREASES

QUESTIONS:

Appendix H of NOAA's Budget In Brief lists 67 program decreases totaling $167,565,000. These are the same programs we have seen year-after-year on this listing.

Dr. Knauss, which programs listed in Appendix H would you consider not to be good science?

ANSWER:

Without commenting on the quality of science for individual projects, it is clear that each one is of such low priority as to not warrant inclusion in the President's program.

QUESTION:

Were any of these items in NOAA's request to the Department of Commerce? Which ones and for how much? Does that not indicate that those projects are good but just not reachable within NOAA's overall allocation?

ANSWER:

The following items were in NOAA's request to the Department of Commerce (dollars in thousands):

Item	Amount
Protected species research	$ 835
Interjurisdictional fisheries grants	3,830
Anadromous grants	2,825
Striped bass research	471
Interstate fisheries commissions	330
Product, quality and safety	4,800
Fish oil research	1,000
Model seafood inspection program	400
National Climate Program	1,090
National Undersea Research	7,000
Sea Grant	(Requested funding at $30 million level)
NWS equipment maintenance	1,054
NWS Class VII computer	500
NWS Regional Headquarters	1,235
Polar ground system	4,334
GOES satellites	(Requested decrease of $9.6 million)
Southeast marine support facility	282

This indicates that some items are of a higher priority to NOAA than to the The Department of Commerce and/or OMB.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUYE

NATIONAL WEATHER SERVICE

QUESTION:

Once again, the Administration proposes to consolidate the Pacific Region Headquarters with the Alaska Region. The Pacific region Office serves the entire Pacific Basin in addition to the State of Hawaii. The Administration claims that headquarters in Alaska can sufficiently monitor the weather conditions found in the Pacific . However, the weather conditions found in the Arctic Circle are very different than conditions in the tropics of the Pacific.

Given this difference, and the vast region to be served, how does this Administration conclude that weather services to Hawaii and the Pacific Region will not be affected by the proposed consolidation?

ANSWER:

This proposal will not impact the provision of weather services to the public. The Weather Service's regional headquarters offices do not provide warnings, forecasts, or other public services. These offices are responsible for implementing National policy and providing administrative support to the Weather Service's field offices.

The Hawaii and Alaska Region's operational staffs are comparatively small with a span of control that justifies only one regional office. An Administrative Support Office would remain in Honolulu to provide for the unique logistical needs of the region and expedite administrative actions.

NATIONAL UNDERSEA RESEARCH PROGRAM

QUESTION:

This year marks the 20th anniversary of the National Undersea Research Program of NOAA which was created in 1970. It has grown during the past two decades to become an important national component of ocean research and development.

I understand, Dr. Knauss, that you served on the Stratton Commission, taking part in the creation of NOAA and concurrently the Undersea Research Program. Your foresight that this program was vital to ocean research is commendable.

For the past ten years, the National Undersea Research Program has been under continuous attack by the Administration. Each time the Administration submits the Department of Commerce's budget to Congress, NURP is zeroed out. Each year, Congress restores NURP's funding. Frankly, Congress is tiring of this game.

With you, Dr. Knauss, providing new leadership for NOAA, can Congress be assured that NOAA's FY 1992 budget will fully fund NURP?

ANSWER:

Funding for NURP as well as all NOAA programs will be evaluated by NOAA, DOC, and the President before a 1992 President's Budget is submitted to Congress next year. NURP will get the same consideration given to all demands on federal resources.

SALTONSTALL-KENNEDY GRANTS

QUESTION:

The Administration states that several "programs have accomplished their intended goals and should now be supported by the users and beneficiaries of their services." One of these programs is the Saltonstall-Kennedy Act (S-K) fishery development program. The S-K Act calls for 30% of the gross receipts from duties collected on imports of fish and fish products to be transferred from the Department of Agriculture to NOAA in the Department of Commerce. Over the past few years, more of this transfer has been used to offset appropriations requirements of the Operation, Research Facilities (ORF) account rather that to fund fisheries research and development grants. In this budget, the Administration proposes that the entire S-K transfer be directed to the ORF account.

Since the purpose of the S-K Act is to promote and develop fisheries research and development, how does the Administration justify using S-K funds to support the ORF account?

ANSWER:

Although the budget document shows the S-K offset against the total ORF appropriation, the S-K funds offset the portion of the ORF account related to fisheries research and development activities. The majority of the programs proposed in the President's FY 1991 Budget for the National Marine Fisheries Service support fisheries research and development activities. The level of support proposed for these types of programs in FY 1991 exceeds $125 million, which is far greater than the $61.9 million in S-K funds that the Administration proposes for this purpose.

COASTAL ZONE MANAGEMENT

QUESTION:

The President, in his FY 1991 Budget, has requested $30 million for Coastal Zone Management Section 306-306A grants. These grants are necessary for the 24 states and 5 territories to administer and maintain their federally-approved coastal management programs. The President 's request is the first time in nine budget cycles that funds have been requested by the President for Section 306-306A grants. The President's request, however, is $4 million less (or a 13 percent reduction) than what was appropriated by Congress in FY 1990.

On what information did you (NOAA) arrive at the $30 million section 306-306A grant funding request? With Ohio expected to have its coastal program approved during FY 1991, it appears that an increase in Section 306-306A funding is necessary and not a reduction. Do you agree?

ANSWER:

No, we disagree. The amount requested in the President's Budget is the amount NOAA determined was needed to operate the program based on the information on hand. This included the possibility that Ohio will leave the program.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

GLOBAL CHANGE

QUESTION:

As you know, the President has submitted a $1.034 billion request for his 7-agency U.S. Global Change Research Program, an increase of $375 million or 57 percent over FY 1990. In my view, this is an investment we cannot fail to make. In FY 1991, NOAA is slated to receive $87 million for its global-change activities, an increase of $69 million or 383 percent.

a. Nonetheless, I am concerned about the lines of communication running among these 7 agencies. How, for example, is NOAA communicating with NASA and EPA? Are the data bases being shared? It seems that the information being produced through this vital research must be, by its very nature, very complex. How are the agencies sharing this information? And is it in forms (e.g., compatible computer systems, identical measurement standards) that are transferable?

b. Assuming there are no real problems in compiling this information, will the results of the global-change research come together in a way that will be comprehendible for policymakers: i.e., more than a library of data? I am concerned about fashioning these findings into an appropriate legislative response.

ANSWER:

a. Over the past year, the Committee on Earth Sciences (CES) of the Federal Coordinating Council for Science, Engineering, and Technology conducted several interagency global change research planning and analysis activities to ensure that the various Federal agencies worked hand-in-hand. CES will continue to fulfill this role as the Federal Government coordinator for climate and global change research. Specifically CES:

- Will review Federal R&D programs in Earth sciences,

- o Improve planning, coordination and communications among Federal Agencies,
- o Develop and update long-range plans for the overall Federal R&D effort, and
- o Address specific programmatic and operational issues and problems which affect two or more Federal Agencies.

The Domestic Policy Council on which CES is represented, is the Federal Government coordinating body for policy decisions related to climate and global change.

Each Federal agency brings unique capabilities and skills to the global change effort; so duplication of effort is minimized. For example:

- o NSF supports university-based research across the board,
- o NASA provides space-based support,
- o NOAA focuses on the climate and hydrologic systems and biogeochemical dynamics with some support for ecological systems and dynamics, and
- o DOI focuses on Earth-system history and solid-earth processes.

Questions regarding the exchange and transfer of global change data are addressed routinely through the Interagency Working Group on Data Management. Its activities include the generation of data base catalogs and directories and the resolution of issues regarding formats, standards and compatibility.

Global change studies benefit from the strong tradition of data base sharing stemming from weather prediction, which involves the routine, near-real-time exchange of data on a global basis. This is needed to provide the input for the computer models used to forecast the weather. This practice of open data exchange is being extended to observations of the El Nino/Southern Oscillation in the tropical Pacific, where data from islands, ships, and buoys are freely accessible via the Global Telecommunications System. Abstracts of these data are also available via electronic-mail bulletin boards, where both the data and the scientific debates regarding ENSO can be monitored from virtually anywhere in the world.

b. The U.S. Global Change Research Program is specifically designed to continuously improve the scientific information required to support policy decisions, including response strategies. The establishment of an aggressive scientific program is, in itself, a significant policy decision because it recognizes the need to:

- Clearly identify the scientific certainty (or uncertainty) associated with environmental stewardship decisions;
- Continuously work to improve our understanding of the Earth system; and
- Periodically reevaluate the effectiveness of policy decisions in light of new scientific insights.

The January 1990 report of the Committee on Earth Sciences which describes the President's FY 1991 budget request for the U.S. Global Change Research Program identifies a number of anticipated benefits which include:

- Providing timely information to Congress, the Executive Branch, the private sector, and the general public by routine briefings and reports on new scientific insights related to significant issues like: greenhouse gas concentrations, ozone depletion, and agriculture and ecosystem response to climate change;
- Providing periodic state-of-the-science assessments such as the one currently being developed under the auspices of the Intergovernmental Panel on Climate Change; and
- Developing and issuing regular prediction and forecasting products on longer timescales, including the anticipation of: (i) seasonal forecasts (30 to 60-day projections) within three to five years; and (ii) within 5 to 8 years, interannual climate prediction products (including three to six-month forecasts and one and two-year outlooks) based on a greatly improved understanding of how the tropical ocean induces changes in atmospheric heating patterns. (NOAA's Climate and Global Change Program is leading the development of these early forecasting improvements.)

The Department of Commerce is expected to play a significant role in global change policy development along with the Department of Energy and the Environmental Protection Agency. Specifically, the Department will:

- Serve as a principal source of scientific information on the state of the environment and the state of our understanding through the work of the National Oceanic and Atmospheric Administration;
- Participate in the deliberations of the Domestic Policy Council Working Group on Global Change recently established under the chairmanship of Presidential Science Advisor, D. Allan Bromley;

- Provide significant input regarding the economic and trade implications of proposed response strategies;
- Support mitigation and adaptation technology R&D such as the development and evaluation of CFC substitutes through the National Institute of Standards and Technology;
- Provide leadership to the new CES Working Group on Adaptation and Mitigation which is chaired by NOAA Under Secretary John Knauss; and
- Continue to support the work of the Impacts and Response Strategies Working Groups of the Intergovernmental Panel on Climate Change.

NATIONAL WEATHER SERVICE

QUESTION:

Like many Senators, I am very concerned about the effect of the Weather Service's modernization effort on my State, which gets hit by a large number of tornadoes and severe storms every year. A weather station in Fort Smith is slated to close in December 1993.

Under Section 408(b) of the FY 1989 NOAA Reauthorization Bill (P.L. 100-685), it says that the Secretary may not close a weather station unless he has certified to the House and Senate Commerce Committees that "such action will not result in any degradation of weather services provided to the affected area." What is your understanding of this provision?

ANSWER:

Closing a service office is dependant on a number of factors such as facility preparation, installation and commissioning of new technology (ASOS, NEXRAD, and AWIPS), staff restructuring, and training at the future Weather Forecast Offices (WFO) which will assume service responsibility for the area affected by the closure of that office. The future WFOs which will assume service responsibility for Fort Smith are Little Rock, Arkansas; Tulsa, Oklahoma; and Springfield, Missouri. The activities and timing for upgrading the future WFOs will be presented in the Site Implementation Plan (SIP) for each of the WFOs. The agency is currently in the process of developing the SIPs for each of these future WFOs. Until that process is completed the actual date a service office will be closed cannot be determined.

The agency understands that according to Public Law 100-685 no service office can be closed until the Secretary of Commerce certifies to the Congress that services to the area affected by the closure will not be degraded.

To accomplish this the Secretary of Commerce will notify the Congress each fiscal year via the National Weather Service National Implementation Plan of:

1. Future significant events, out to three fiscal years, which will affect the area of responsibility of a service office scheduled for closure.
2. The intent to certify for closure of a service office out to three fiscal years.

When we are satisfied that services provided to the area affected by closure of a service office will not be degraded, the certification document for that closure will be prepared and forwarded to the Congress.

QUESTIONS SUBMITTED BY SENATOR FRANK R. LAUTENBERG

NATIONAL OCEAN SERVICE

QUESTION:

NOAA is proposing to increase its coastal ocean water programs by $8.974 million.

a. At the same time, NOAA is proposing to decrease ocean assessment activities by over $4 million. How will these decreases affect NOAA facilities and activities in New Jersey?

b. What conclusions has NOAA reached as a result of the information gathered under the Status and Trends Program concerning coastal pollution?

c. Are dioxins included in the selected-chemical contaminants in marine sediments assessed by the Status and Trends Program. If not, why not? What funding levels would be necessary to include dioxins as part of NOAA's efforts in this area?

d. What other marine sediment contaminants are not included in the Status and Trends program efforts?

ANSWER:

The proposed increase for NOAA's Coastal Ocean Program is $11 million.

a. These ocean assessment activities proposed for decrease are all Congressional budget add-ons of strictly local interest. They will have no impact on New Jersey.

b. The highest concentrations of most contaminants measured by the National Status and Trends Programs occur in the peripheral areas of estuaries such as harbors, waterways and boat basins. Major industrialized/ urbanized centers continue to lead the Nation in overall highest concentrations of toxic chemicals with Salem and Boston harbors, Narragansett Bay, Long Island Sound, Hudson-Raritan Estuary and the New York Bight, San Diego Bay, coastal waters near Los Angeles, San Francisco Bay, and parts of Puget Sound ranked at the top.

Notwithstanding these problems, some individual contaminants are decreasing locally, e.g., there is a significant decline in DDT in the tissues of Atlantic menhaden between 1968 and 1976 in the Hudson-Raritan Estuary. Corresponding declines were also documented for PCB in the muscle of striped bass from the Hudson River from 1975 to 1985.

c. No. Dioxins are not presently among the contaminants in sediments (or in biota) that are monitored by the National Status and Trends (NS&T) Program.

The difficulty and expense of analyses for these chemical compounds precludes their being included under present funding levels. To include a one-time survey of the status of dioxins in those sediments monitored under the NS&T Program would cost about $1.3 million.

d. Society uses many tens of thousands of chemicals; NOAA's NS&T Program measures approximately 100 of these substances that have the most likelihood of causing problems. NOAA selects the contaminants measured by NS&T on the bases of existing knowledge of: contaminants and levels of them that are known to cause problems; contaminant concentrations in the environment; levels of usage; and persistence in the environment. NOAA is also developing procedures for measuring nationally select biochemical properties of marine biota to detect contaminant stresses regardless of their causes. These contaminant stress indicators, as they are developed and improved, will provide alerts of appreciable problems.

QUESTION:

Has NOAA conducted a Strategic Assessment of Near Coastal Waters for the mid-Atlantic Region? If not, does NOAA intend to conduct such an assessment? When?

ANSWER:

The Near Coastal Waters Program is being conducted by EPA; NOAA is working with EPA on several aspects of that Program, but is not conducting an overall strategic assessment for that region. NOAA has, however, conducted a number of strategic assessments along the entire East Coast, all of which contain information on the Mid-Atlantic Region.

COASTAL AND OCEAN POLLUTION

QUESTION:

What is NOAA proposing to do on the problem of plastic pollution in the oceans in FY 1991 and how much will NOAA spend?

ANSWER:

Since FY 1985 NOAA has operated the Marine Entanglement Research Program in the National Marine Fisheries Service. This program has addressed the persistent marine debris problem on the national and international scale through research and monitoring, education, and mitigation efforts. Many of these projects are on-going and will continue into FY 1991.

The principal activities in the education area include:

1. Cooperative funding with the EPA for the national beach clean-up day campaign and the national beach clean-up data base;
2. The continuation of NOAA's marine debris information offices which supply marine debris brochures, posters, literature and recommendations to industry and the public nationwide;
3. In cooperation with EPA, environmental groups, industry and others yet to be identified, providing the massive supply of information materials (up to 5 million pieces per year) describing the Marine Plastic Pollution regulations and their rationale for national distribution to the commercial and recreational boating public through the many contacts of the U.S. Coast Guard (power squadrons, Auxiliary, inspections, etc.); and,
4. Supporting the publication and distribution of an FY 1990 Spanish language port project report and recommendations in California, the Gulf Coast, Puerto Rico and the wider Caribbean area.

The FY 1991 Program, funded at a level of $705,000, will include the following efforts related to mitigation or implementation of MARPOL Annex V:

1. The preparation of supplemental information for improving the International Maritime Organization's "Guidelines for the Implementation of MARPOL Annex V" (originally prepared for IMO by NOAA);
2. Conducting an advisory workshop for fisheries engineers on the development of practical solutions to ghost fishing problems in selected high-risk gear types;

3. Continuing partial support for the removal and destruction of entangling debris from the pupping beaches of the highly endangered Hawaiian monk seal; and,

4. Production and publication of an international manual of standard methodologies for surveying persistent marine debris on beaches and at sea.

The research activities for FY 1991 will include:

1. Studies on the effects of plastics ingestion by adult and juvenile sea turtles;

2. Continuing cooperative surveys with the National Park Service of beach debris in eight National Seashores around the country;

3. Continuing monitoring of the rates of entanglement of northern fur seals in marine debris and the estimation of the impact of this mortality on the population;

4. In cooperation with the National Sea Grant Office, fund a three year grant for research on the economic impacts of marine debris; and,

5. Provide partial support for the American Society for Testing and Materials (ASTM) research to develop standards for commercial "degradable" plastics.

The FY 1990 appropriation was $706,000. The President's FY 1991 Budget includes $706,000 for this program.

QUESTION:

Section 2203 of the Marine Plastic Pollution Research and Control Act of 1987 required EPA, in consultation with NOAA, to submit a report by September 30, 1988, on the effects of plastic on the marine environment. That report recommended that further regulatory programs be pursued to address the problem of plastic debris in the marine environment if compliance reports indicate that existing educational and enforcement activities are inadequate.

a. Does NOAA receive or have access to the Coast Guard's compliance reports? If so, has NOAA evaluated these reports and do existing efforts seem adequate? Is additional regulatory action needed?

b. What is NOAA's role in enforcement of existing laws that address plastic debris?

c. The report recommended that Fishery Management Plans include provisions relating to the disposal of gear and escape panels in traps and pots. Is NOAA addressing the plastics problem through the Fishery Management Plan Process? Please explain NOAA's efforts to reduce plastics generated from fishing operations and how those efforts would address the general problem of plastics in the marine environment.

d. Does the proposed budget include funding for the NOAA Marine Entanglement Research Program? What is the status of this program?

ANSWER:

a. NOAA does have access to USCG compliance reports under the MPPRCA. On March 7, 1990, NOAA completed a review of a draft of the first such report from the Coast Guard. At this time, there is not enough enforcement experience to allow effective judgement of the existing efforts. At this time, NOAA feels the regulatory approach is adequate.

b. NOAA has no statutory authority to enforce existing laws that address plastic pollution. Enforcement of such laws is the responsibility of the Coast Guard. NOAA enforcement officers are aware of the MPPRCA regulations and will cooperate with the Coast Guard whenever possible. NOAA has played a significant role in the development of information essential to the crafting and implementation of these laws. (See answer to 3 above.)

c. Regarding the disposal of fishing gear, the NOAA has conducted several educational programs for the fishing industry on these responsibilities under the MPPRCA. Under three separate Saltonstall-Kennedy grants, NOAA is working with fishing industry associations and ports to ensure that adequate reception facilities are in place to facilitate the disposal of all wastes (both garbage and fishing gears) covered under the MPPRCA. Full compliance with MPPRCA by the fishing industry will result in a major reduction in the vessel sources of plastics entering the oceans adjacent to the U.S.

With input from the NMFS, Fishery Management Councils overseeing trap and/or pot fisheries with ghost fishing problems are considering or have already adopted certain escape panel measures in the appropriate FMP's.

d. Yes, the proposed FY 1991 budget does include funding for the Marine Entanglement Research Program (MERP). All of the activities ascribed to NOAA in these answers were actions of the MERP. The MERP is currently implementing its FY 1990 program plan funded at $706,000 and will continue these activities in FY 1991.

QUESTION:

This Act also requires NOAA to initiate plastic pollution outreach citizen pollution patrol programs by April 1, 1988.

Please describe NOAA's program and associated funding levels for complying with these requirements.

ANSWER:

The MPPRCA required Commerce, EPA and the Coast Guard to "conduct a program to encourage the formation of volunteer groups, to be designated as " Citizen Pollution Patrols," to assist in monitoring, reporting, cleanup and prevention of ocean and shoreline pollution." NOAA began contributing to this effort in FY 1988 by supplying materials for distribution to the public through marine debris education contractors and by funding a grant with EPA to the Center for Marine Conservation for the support of the annual voluntary national Beach Cleanup. Since 1988, the efforts by NOAA and EPA have become more focused on the support of the National Beach Cleanup and associated public education as fulfilling the "Citizen Pollution Patrols" encouragement language in MPPRCA.

The term "citizen pollution patrols" has not been widely used with the public as it connotes levels of organization and responsibility that cannot be assigned to volunteers. This also implies an organizational ability and local presence by the agencies that cannot be achieved. Nonetheless, a great deal of progress has been made in raising the awareness of coastal citizens to recognize and report pollution incidents as they occur. NOAA's Marine Debris Information Offices are now distributing USCG forms for citizens reporting violations of marine pollution statutes.

NOAA has contributed $30,000 in FY 1988, $50,000 in FY 1989 and $50,000 in FY 1990 to support the national beach cleanup program. The NOAA marine debris information offices cost $120,000 per year to operate.

QUESTION:

Are there any required deadlines under this Act, including Subtitle C (the New York Bight provisions) applying either individually or jointly to NOAA with which NOAA will not comply in FY 1991 or FY 1992? If so, please indicate which ones and to what extent NOAA appropriations providing increased resources would result in compliance.

ANSWER:

NOAA will comply with all Congressional reporting requirements.

COASTAL ZONE MANAGEMENT

QUESTION:

If the President's budget request is enacted as proposed, how will the $4.7 million decrease in Ocean and Coastal

Management affect New Jersey's coastal zone management program?

ANSWER:

Under the reduced funding levels proposed in the President's budget, the states would continue to implement their respective coastal management programs with roughly 14% less than the total amount appropriated for Section 306 of the Coastal Zone Management Act in FY 1990. In New Jersey's case, this would mean a reduction of about $270,000.

The New Jersey Coastal Management Program uses the majority of its Federal and most of its matching State funds to administer the coastal permit program and conduct related coastal inspection, enforcement and monitoring procedures. The balance of the Federal monies are directed towards a variety of coastal planning and development activities. These range from intra- and inter-state coordination, technical assistance and local grant awards, to public participation and Federal consistency project reviews. Additionally, funding under this category has more recently been directed towards storm water management, a chief contributor to nonpoint source pollution along the New Jersey coast. We anticipate, however, that the approach proposed in the Administration's draft CZM reauthorization will result in a stronger New Jersey program by encouraging the state to achieve more through the new competitive grants program.

OCEAN DUMPING

QUESTION:

Under the Ocean Dumping Ban Act, NOAA will receive funds from sludge dumps to carry out its responsibilities. What funding does NOAA expect to receive and what does NOAA plan to do with these funds?

ANSWER:

NOAA anticipates receiving a total of $1,461,000 in FY 1990 (in four separate quarterly installments) to implement a joint monitoring and research program with the Environmental Protection Agency (EPA) at and in the vicinity of the Deepwater Municipal Sludge Dump Site (Middle Atlantic Bight). The funds (from the ocean dumping fees) are being used to implement the following programmatic/ship activities:

- Sampling for selected mid-water biota and analyzing them for chemical contaminants;
- Sampling for selected benthic biota and analyzing them for chemical contaminants;
- Examining chitinoclasia in shellfish taken in the vicinity of the site;

- Sampling for bottom sediments and analyzing them for chemical contaminants;
- Analyzing selected bottom sediment samples for clostridium/coprostonol (direct sewage indicators);
- Deploying and recovering suspended sediment traps for EPA for their analyzing of fine sediments for chemical contaminants;
- Measuring the vertical structure of the water column on a near-weekly basis;
- Deploying satellite-tracked surface drifters and analyzing surface water transport patterns;
- Analyzing the physical oceanography of waters of the Middle Atlantic Bight from satellite AVHRR data;
- Obtaining equipment for deep-sea sampling operations at and in the vicinity of the site;
- Making modifications of NOAA Ship DELAWARE II to be able to conduct sampling operations at deep depths; and
- Conducting quality assurance of all sampling operations and analytical results.

SEA GRANT

QUESTION:

What role will Sea Grant have in NOAA's coastal pollution and global warming initiatives?

ANSWER:

Sea Grant is currently playing a major role in planning and expects to play a significant role in conducting research portions of the Coastal Ocean Program. Sea Grant is assisting in the planning of the outreach, human interactions and ecological systems/dynamics portions of the Climate and Global Change Program.

OCEANIC AND ATMOSPHERIC RESEARCH

QUESTION:

NOAA proposes a significant increase in funding for a Climate and Global Change Program in support of the U.S. Global Change Research Program.

a. Will any of this funding go to the Geophysical Fluid Dynamics Laboratory in Princeton, New Jersey?

b. How will the proposed decreases in oceanic and atmospheric research affect NOAA facilities and activities in New Jersey?

c. What will be the impact if Congress fails to provide the proposed funding for computer enhancement at GFDL?

ANSWER:

a. The Climate and Global Change (C&GC) funds are managed by NOAA's Office of Global Programs. The Geophysical Fluid Dynamics Laboratory (GFDL) has full and equal access to this funding via the competitive research proposal process and has already received new FY 1990 research funding through this process for new climate modeling research critical to the C&GC program. The C&GC Program is of major importance not just to GFDL but also to NOAA and the Nation.

b. The termination of the National Undersea Research Program would eliminate NOAA funding for the Fairleigh Dickinson Undersea Research Center.

c. In FY 1990, GFDL received the necessary funds to purchase a Class VII supercomputer and undertake conversion activities. These funds involved a one-time change-over cost of $1 million. In FY 1991, GFDL requested $1 million to cover unanticipated costs related to the Class VII computer purchase. Therefore, NOAA is not requesting additional funds for GFDL in FY 1991.

NATIONAL UNDERSEA RESEARCH PROGRAM

QUESTION:

No funding is requested for the NOAA Undersea Research Program in FY 1991. What impact will the proposed budget have on the undersea program at Fairleigh Dickinson University?

ANSWER:

The NOAA-funded portion of Fairleigh Dickinson University's undersea research program would be terminated.

NATIONAL MARINE FISHERIES SERVICE

QUESTION:

A recent NMFS Needs Assessment conducted by the National Fish and Wildlife Foundation states that NMFS does not have the clear understanding of the scale and dynamics of marine recreational fishing necessary to adequately consider sport fishery management measures.

a. Does the proposed budget request increased funding for the Marine Recreational Fishery Statistics Survey as recommended by the Assessment?

b. If not, what is NMFS doing to address this issue?

ANSWER:

a. No.

b. The National Marine Fisheries Service conducts an annual marine recreational fisheries statistics survey using the existing base program funding of $1.8 million. This is a significant effort to understand the scale and dynamics of marine recreational fishing. NMFS agrees that the impacts of recreational fishing should be afforded full consideration in the development of fishery management measures.

FISHERY MANAGEMENT PLANS

QUESTION:

Throughout the development and adoption process of Amendment 1 to the Swordfish Management Plan by the South Atlantic Fisheries Management Council, questions have been raised regarding the available data and the manipulation of that data to support fishery management decisions.

What steps have been taken to evaluate the sampling and projection techniques upon which the data used to create fisheries management plans are based?

ANSWER:

Sampling data and statistical analyses which support management decisions are reviewed through several mechanisms created by both NMFS and the Fishery Management Councils. These include scientific program reviews to develop appropriate sampling designs to collect the data, and scientific reviews of the assessment calculations upon which recommendations are based (including peer reviews by scientists outside of NMFS).

Specific to the Swordfish plan amendment, extensive sampling data bases of United States fisheries were developed on the number and size of fish caught. These were integrated with data bases of other countries exploiting these swordfish through the International Convention for the Conservation of Atlantic Tunas.

The data have been reviewed and assessed by international scientific workshops and panels including NMFS scientists, Fishery Management Council staff scientists, and scientists from academic institutions and other agencies. Additionally, the South Atlantic Fishery Management Council has established a swordfish review panel which has also examined the data and conclusions.

Finally, NMFS has established a survey procedure whereby the status of the resource is reevaluated in order to incorporate new stock assessment information.

MARINE FISHING LICENSE FEE

QUESTION:

a. Does NOAA propose to impose licensing fees for marine fishing?

b. If so, how does this proposal differ from that of previous years?

c. Has NOAA conducted a review of the financial impact of such a proposal on the commercial and recreational fishing industry?

ANSWER:

a. NMFS is not proposing to impose licensing fees for marine fishing at this time.

b. Not applicable.

c. Not applicable.

LANDSAT 4 & 5

QUESTION:

Vice-President Quayle has stated that the Administration is committed to funding operations for Landsats 4 & 5 as long as they continue to function. It is my understanding that these satellites are likely to function at least through December 1991. Nonetheless, the President's FY 1991 budget request does not include funding for the continued operations of these satellites.

a. In light of the Vice President's stated commitment, why did the Administration not request funding for Landsats 4 and 5 in the FY 1991 budget?

b. What are your plans to honor the commitment of the Vice President to fund Landsats 4 and 5 in FY 1991?

ANSWER:

a. Funding was not requested for the operations of Landsats 4 and 5 in FY 1991 because they have exceeded their design life of three years; Landsat 4 is eight years old and Landsat 5 is six years old. Both satellites are operating on redundant systems. Failure of any of these systems could terminate their mission.

b. The Administration is committed to the operation of these satellites as long as they provide useful data.

LANDSAT 7

QUESTION:

The National Space Council said that it would make a determination about which agency should fund, operate, and manage Landsat 7. It was supposed to announce its decision in August of 1989.

a. When will a decision be announced?

b. Please provide me with a status of the discussion on Landsat 7.

c. In light of NOAA's history with the Landsat program, would it make sense for the agency to operate Landsat 7?

ANSWER:

a. A decision of the future of the Landsat program is expected this summer.

b. The future of the Landsat program is under review by the National Space Council.

c. This issue will be addressed in the National Space Council review of the Landsat Program.

LANDSAT 6

QUESTION:

There have been some problems with recent Titan launches. Does NOAA have back-up plans in place to assure continued Landsat 6 coverage should a launch failure occur?

ANSWER:

NOAA has no back-up plans to assure continued Landsat coverage should the Landsat 6 launch fail.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

NATIONAL WEATHER SERVICE

National Weather Service Stations and Integrated Flood Observing and Warning System (IFLOWS)

QUESTION:

The report accompanying the FY 1990 Commerce, Justice, State Appropriation bill included the following language at my request:

> In restoring the funds, the Committee expects the National Oceanic and Atmospheric Administration to continue operation of West Virginia's weather stations at current levels. The Committee also expects NOAA to maintain the agricultural weather, fire weather, and other weather and flash-flood warning programs as they affect West Virginia at the fiscal year 1989 levels and to continue to accelerate the implementation of the integrated flood observing and warning system (IFLOWS) in West Virginia and surrounding States. The Committee wishes to be kept fully informed of the remaining milestones needed to complete the West Virginia portions of the IFLOWS system.

Please provide for the record a table showing the location, staffing, funding, and hours of operation of the existing weather service offices in West Virginia for Fiscal Year 1989 and 1990 as well as projected data for fiscal year 1991.

ANSWER:

OFFICE	STAFFING LEVEL	HOURS OF OPERATION	FUNDING
WSFO Charleston			
FY 89	24	24 hrs. daily	$1,294
FY 90	24	24 hrs. daily	1,350
FY 91	24	24 hrs. daily	1,404
WSO Huntington			
FY 89	8	24 hrs. daily	416
FY 90	8	24 hrs. daily	437
FY 91	8	24 hrs. daily	458
WSO Beckley			
FY 89	6	24 hrs. daily	332
FY 90	6	24 hrs. daily	349
FY 91	6	24 hrs. daily	365
WSO Elkins			
FY 89	4	16 hrs. daily	198
FY 90	4	16 hrs. daily	206
FY 91	4	16 hrs. daily	215

QUESTION:

May I have your assurances that weather service stations in West Virginia will be maintained at current operating levels for FY 1991 and subsequent budget years?

ANSWER:

The Weather Service offices in West Virginia will be maintained at current operating levels through FY 1991. In the future, the National Weather Service will be in transition to a modernized field service. The offices at Elkins, Beckley, and Huntington will be phased down, as described in the National Implementation Plan, as the modernized offices at Charleston, Washington, Pittsburgh, and Roanoke assume more responsibility for areas in West Virginia.

CHRONOLOGICAL HISTORY AND STATUS

QUESTION:

Please provide, for the record, an updated report on the status of the Integrated Flood Observing and Warning System, which has been established in West Virginia at my request. Please include information by county in West Virginia and year, a chronological history and an updated status of implementation of the IFLOWS project throughout West Virginia. What more can be done to accelerate the full implementation of the IFLOWS project in West Virginia?

ANSWER:

The IFLOWS in West Virginia is being implemented in 46 counties, four Weather Service Offices and the state Emergency Operations Center (EOC). IFLOWS in the state is currently in the 3rd phase; the following is a brief explanation of these phases:

1st Phase - Pilot area of four (4) counties: Began in 1978 with Logan, McDowell, Mingo, and Wyoming. Used Kentucky radio repeaters as the communications backbone to Frankfort, Kentucky EOC for reporting. Used local commercial phone lines to link hilltop base radio stations to achieve voice and computer data links at the County EOC. Rainfall data collected by Frankfort EOC.

2nd Phase - 1st Expansion Area of twelve (12) counties: Began in 1982 with Boone, Cabell, Greenbrier, Fayette, Jackson, Kanawha, Mason, Lincoln, Pocahontas, Putnam, Raleigh, and Wayne. This phase uses the in-state Emergency Medical Service (EMS) Microwave as well as other radio repeaters and base stations to achieve voice and data links to the West Virginia State EOC. This phase removed the Kentucky EOC from the responsibility of collecting data and controlling the pilot area of West Virginia.

3rd Phase - 2nd Expansion Area of thirty (30) counties: Began in 1986 for the 1985 flood affected counties. They are: Barbour, Berkeley, Braxton, Calhoun, Doddridge, Gilmer, Grant, Hampshire, Hardy, Harrison, Jefferson, Lewis, Marion, Marshall, Mercer, Mineral, Monongalia, Monroe, Morgan, Nicholas, Ohio, Pendleton, Preston, Randolph, Summers, Taylor, Tucker, Tyler, Upshur and Webster.

The 46 county IFLOWS Program contained in the above 3 phases is 85-90% implemented.

Because of budget problems, the state of West Virginia did not provide all the needed resources to complete and maintain the system as defined in the (MOA) between NOAA/NWS and West Virginia.

According to the Director of the Office of Emergency Services (OES) the West Virginia legislature still has not approved funding to support maintenance of IFLOWS.

To complete the 46 county IFLOWS program, the following major milestones should be accomplished by the State of West Virginia:

- Installation of 48 remaining rain gages*
- Install and/or complete installation of base stations at:
    - Kanawha
    - Barbour
    - Pendleton
    - Grant
- Complete UHF communications links at 12 locations.*
- Install repeater site at Clarksburg, WV.*
- Extend the IFLOWS backbone communications into the eastern Panhandle by upgrading the Educational Microwave link in the Panhandle from a 1-way to a 2-way system and connecting it to the Emergency Medical Services Microwave at Morgantown.

* Equipment has been purchased and path studies have been completed.

Until recently the remaining 9 counties in West Virginia had chosen not to participate in IFLOWS. Within the last year, however, the OES has established MOAs with them and these counties now want to become participants in IFLOWS. To accelerate the program, the State of West Virginia will need to purchase and install rain gages, telecommunications equipment and computers in the following counties:

Brooke
Clay
Hancock
Pleasant
Ritchie
Roane
Wetzell
Wirt
Wood

Responsibility for expanding and operating IFLOWS, which provides an unwarranted level of service to a specific group, belongs with the State and localities.

QUESTIONS SUBMITTED BY SENATOR WARREN RUDMAN

NATIONAL MARINE FISHERIES SERVICE - REGIONAL VARIATIONS

QUESTION:

A large part of the budget of the National Marine Fisheries Service is spent in the five regions into which the country is divided. In 1990, for example, of the $146.7 million expended in the regions, approximately 45% will be spent in two areas of the country, the Pacific Northwest and Alaska. The 1991 budget could increase that imbalance, given the increases being proposed by the Administration and the likelihood we will restore proposed reductions for salmon hatcheries in Alaska and along the Columbia River. If that is done, we'd be looking at close to 50% of the funds being expended in these two regions.

NATIONAL MARINE FISHERIES SERVICE
(Dollars in millions)

	FY 89	FY 90	FY 91
Northeast region	27.9	29.1	23.0
Southeast region	28.2	31.9	27.0
Southwest region	17.2	21.7	19.8
Northwest region	23.7	24.4	14.4
Alaska region	36.0	39.6	38.5
Headquarters	35.0	42.2	30.5
TOTAL	168.0	188.9	153.2

What is the reason for this emphasis on the Pacific Northwest and Alaska? Is it related to the value of the fisheries?

ANSWER:

The emphasis on the Pacific Northwest and Alaska regions is the direct result of several major national and international fishery issues including the North Pacific driftnet problem, the Bering Sea donut hole problem, the Americanization of the groundfish fishery, and the implementation of a significant portion of the Marine Mammal Protection Act (MMPA) amendments of 1988. The Americanization of the groundfish fisheries in the Pacific Northwest and Alaska has also resulted in a significant loss of stock survey data (previously provided by the Japanese) which is critical due to the increase in domestic fishing in that area.

The restoration of funding for programs such as the Columbia River hatcheries and the salmon hatcheries in Alaska will not increase the 45 percent spent in these regions because they are already included in the $146.7 million for FY 1990.

QUESTION:

Follow-up: In contrast to the resources being committed to the Pacific Ocean, the Administration is proposing to eliminate funding of $471,000 for research and management activities in the Georges Bank. Although the New Hampshire fishing industry is not large, I can tell you they need more research and information in order for fishery resources to be managed effectively. Wouldn't you support further research in the North Atlantic if we are able to restore this funding?

ANSWER:

We will continue to support high priority research and management activities in the North Atlantic within the requested budget levels, including cooperative work with Canada on issues specific to Georges Bank fisheries.

SALMON FUNDING

QUESTION:

If you include $9.3 million for the funding of the Columbia River salmon hatcheries, $3.7 million for salmon hatcheries in Alaska, as well as the research and management support given by NOAA for the implementation of the North Pacific Salmon Treaty, would it be unfair to say that NOAA will spend in the neighborhood of $20 million on Pacific salmon in 1990? What will NOAA spend for Atlantic salmon research in 1990?

ANSWER:

NOAA will spend approximately $20 million to address salmon research and management activities in the Pacific Northwest and Alaska. Congress provided $500,000 for Atlantic salmon research in NOAA's FY 1990 appropriation.

QUESTION:

The Administration is proposing to terminate funding of $500,000 for Atlantic salmon research in 1991. According to the budget justification, this activity "should be funded by states and/or commercial fisherman who are the direct beneficiaries." The research is done to determine the interception rate of U.S. origin Atlantic salmon by foreign fisheries in Canadian and Greenland waters; to develop stock identification methods; to establish seasonal restrictions to protect U.S. salmon from high seas fisheries; and to determine river-of-origin of Atlantic salmon based on scale pattern analysis. Isn't this exactly the type of work for which NOAA is requesting funds for Pacific salmon in 1991?

ANSWER:

Federal funds are not being requested in FY 1991 for any NOAA fisheries program where responsibilities are viewed as being primarily those of the state government or where funding should be the responsibility of the direct beneficiaries of a program. The Atlantic salmon research program, which supports the restoration of salmon runs in the northeast states, is considered to be primarily a state responsibility since: 1) the major domestic fishery for these stocks is recreational and occurs in the internal waters of the northeast states that are clearly within state jurisdiction, and 2) many of the water resources development actions that have restricted the recovery of these Atlantic salmon stocks were state or private actions and the burden of restoring the damage to the associated fish stocks should fall to the responsible party, not the Federal Government. Federal funding is also not being requested for the Columbia River Hatcheries ($9.3 million) or the salmon hatcheries in Alaska ($3.7 million) for the same reason; i.e., that these activities should be funded by those who are the direct beneficiaries of the hydroelectric/water resources provided by the dams that impact the salmon stocks and who are the beneficiaries of enhanced fisheries provided by the hatchery production.

SEA GRANT FUNDING

QUESTION:

I'm very pleased to see that the Administration is requesting funding for the National Sea Grant program for the first time since 1981. However, NOAA is requesting a decrease in funding from $41 million to $27.5 million. What is the justification for the decrease, assuming you support continuation of the program?

ANSWER:

NOAA supports continuance of the National Sea Grant College Program that focuses on national priorities. The decrease we are proposing is largely an elimination of Federal funding for Marine Advisory Service Agents. The Agents provide extension services to local and state constituencies and should, accordingly, be supported by the primary beneficiaries.

QUESTION SUBMITTED BY SENATOR ROBERT W. KASTEN, JR.

SUPERCOMPUTER

QUESTION:

I commend you for completing the acquisition of a Class VII computer for the Geophysical Fluid Dynamics Laboratory and the National Meteorological Center. As you know, the National Meteorological Center requires a second Class VII computer as a back-up. Can you tell me what the time frame is for the procurement of the second computer?

ANSWER:

A decision regarding if and when a second Class VII computer will be requested has not yet been made.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

NMFS DRIFTNET

QUESTION:

I am pleased to see that the NOAA FY 1991 budget request includes $3.3 million for implementation of the 1987 Driftnet Act - a $300,000 increase over the FY 1990 appropriated level. Please provide the Subcommittee with an explanation of how those dollars, if provided, will be utilized.

ANSWER:

During the past decade, driftnet fishermen from Japan, Taiwan and Korea have caused serious concern to various U.S. fishing and environmental interests in the North Pacific. The driftnet fishing technique results in the entanglement and death of marine resources, including non-target species of marine mammals, salmon and seabirds.

In FY 1989, $225,000 was appropriated to place 15 scientific observers onboard Japanese squid fishery vessels in the North Pacific. In FY 1990, Congress added $3 million to conduct a Driftnet program. In allocating the $3 million base funding to the various elements of the program, approximately $1,167,000 was designated for 40 scientific observers. The original plan drafted, before the $3 million was appropriated, estimated an observer strength of between 50 and 70 to cover the more than 1,000 foreign driftnet vessels of Japan, Taiwan and Korea. The FY 1991 increase request of $300,000 will provide the funding required for 10 additional observers.

The full $3.3 million Driftnet Program spending plan is as follows:

DRIFTNET BUDGET
($ in thousands)

Activity	Amount
By-catch monitoring (observers).......	$1,467.4
Population identification.............	303.6
Fishery oceanography..................	70.1
Population biology research...........	607.4
Population estimations................	484.8
Program coordination..................	46.7
Enforcement and supplementary data....	150.0
Fisheries Research Institute - U. of Wash......................	170.0
Total Program.....................	$3,300.0

MARINE MAMMALS

QUESTION:

I also am pleased by your $3 million request for marine mammal population assessments. Please provide a breakdown of how you expect those funds to be spent as well.

ANSWER:

In FY 1989, $1,904,000 was appropriated to initiate the implementation of the MMPA amendments of 1988. This funding was to: (1) attain 100 percent observer coverage for the Eastern Tropical Pacific tuna purse-seining fishery ($790,000); (2) establish a marine mammal observer program for selected species in all regions ($844,000); and (3) begin the design and implementation of the information management system to operate and report on the exemption program ($270,000). This was one-time funding.

In FY 1990, $7.5 million was appropriated to continue the establishment of the exemption program and the related observer programs. This add-on provided the base funding for FY 1991.

The additional $3 million increase NMFS requested in FY 1991 will fund population assessments which are needed to develop recommendations for the long-term management of incidental taking of marine mammals associated with commercial fisheries. Pursuant to Sections 115 and 116 of the MMPA as amended, these population assessments will provide critical information needed for establishing the required long-term exemption program. NOAA must begin conducting these studies no later than 1991 in order to meet the January 1, 1992, Congressional report requirement. The spending plan for the additional $3 million is as follows:

MMPA Population Assessment Spending Plan
($ in thousands)

Species	Amount
Harbor porpoise (west coast)	$970
Harbor porpoise (east coast)	500
Stellar sea lion	140
Bottlenose dolphin (east coast)	150
Pilot whale (east coast)	250
Harbor seal (east and west coasts)	450
Dall's porpoise (west coast)	445
California sea lion	95
Total Increase Request	$3,000

National Institute of Standards and Technology

STATEMENT OF DR. JOHN W. LYONS, DIRECTOR

ACCOMPANIED BY:

THOMAS A. GARY, BUDGET OFFICER

ALAN P. BALUTIS, DIRECTOR, OFFICE OF BUDGET, PLANNING AND ORGANIZATION

BUDGET REQUEST

Senator HOLLINGS. Dr. Lyons, we welcome you.

The subcommittee will now take up the request of the National Institute of Standards and Technology. In the Commerce Committee the year before last, we renamed the National Bureau of Standards to incorporate an emphasis on technology as part of the overall effort to make our country competitive.

We are pleased that the 1991 budget request of $198,408,000 strengthens the internal competitiveness programs of the National Institute of Standards and Technology. However, there is a lack of funding for the external programs. The Regional Centers for the Transfer of Manufacturing Technology are reduced by $2.5 million; the advanced technology program is level funded, and the State technology extension services are eliminated entirely.

So we want to hear about that, Dr. Lyons. We appreciate your heading this effort up. We have your statement, and it will be included in the record in its entirety. You can give it in its entirety or summarize it as you wish.

Dr. LYONS. Thank you, Mr. Chairman. I am pleased to be here. I have with me Mr. Balutis, whom you know, on my left, our Budget Officer, Tom Gary, on my right, and behind me, Mr. Kammer, who is the Deputy Director of the Institute and Mr. Kramer immediately behind me, and Mr. Stanley, whom I think you know.

Senator HOLLINGS. Yes, sir.

SUMMARY STATEMENT

Dr. LYONS. I shall summarize. In fact, I summarized it yesterday, and I see it is still too long, so I am going to summarize my summary, if I may. But the first couple of pages I would like to read into the record because I think those statements are important.

I am pleased to appear before you today to request appropriations for the National Institute of Standards and Technology for the fiscal year 1991. This year, the President is requesting $198.4 million for the National Institute of Standards and Technology, an increase of $36.6 million over the appropriation for fiscal year 1990.

Of the total appropriation, $15 million will be used for extramural activities and $183.4 million to strengthen our traditional laboratory research programs. At a time when our Nation's industries are facing the critical challenges of worldwide economic competition, NIST has been given responsibilities to help increase the competitiveness of U.S. industry.

This budget request addresses important technical activities needed for NIST to fulfill these responsibilities. The Omnibus Trade Act of 1988 states that NIST's first function is, "—to assist industry in the development of technology—needed to improve product quality, to modernize manufacturing processes, to ensure product reliability, and to facilitate rapid commercialization of products based on new scientific discoveries."

The second function is the support of the National System of Measurements. We have set ourselves three broad goals in carrying out both these functions: first, the support of the U.S. industry; second, continued attention to public health and safety; and third, support of the scientific and engineering research community through fundamental research.

The Trade Act calls for both laboratory work and extramural support efforts. The latter includes the Regional Centers for the Transfer of Manufacturing Technology, the Advanced Technology Program and what we now call the Boehlert/Rockefeller Extension Program.

We believe that the two aspects of the NIST program are mutually reinforcing; that is, the one is strengthened by the other. Thus, our laboratory work will be better directed to industrial problems by the connections and contacts achieved in the extramural work, and we shall be more able to support the work in the extramural programs by dint of technical understanding derived from our laboratory programs.

The conclusion I draw from this is that the two aspects of our programs need to go forward together and that it is not desirable to fund one at the expense of the other.

I am pleased to present to you the President's budget for NIST for fiscal year 1991. The budget proposes an increase of some 23 percent for NIST programs, the largest increase in recent memory. Not only does the budget have strong support for the various advanced technologies in our in-house laboratory work, but it also shows agreement in principle for two of the new extramural programs, the regional centers and the Advanced Technology Program. The budget has $5 million for the centers and the President has approved $10 million for the Advanced Technology Program.

EXTRAMURAL PROGRAMS

Let me take a moment to speak of the status of plans for the regional centers and the Advanced Technology Program. The three manufacturing technology centers were selected in December 1988. Although it is early, these first centers have made solid progress, and the President has requested $5 million to support these centers as we proceed to help them continue their efforts and to evaluate their progress.

We have sufficient resources, because of carry over from previous years, to implement the request of the conference committee last fall, namely, to increase the funding of the three existing centers to a level of $3 million apiece and to start up one or two new centers.

The Advanced Technology Program is designed to encourage industry with joint research and development in promising technologies. The philosophy is to seek high-risk, high-pay-off opportunities to accelerate the commercialization of new and emerging technologies in the United States.

We are in the process of gathering advice from U.S. industry and from leaders of programs in the Federal and State governments. We have held a number of open meetings and expect to hold more, and our intent is to be guided by industry.

We have completed work on the draft rules for this program. It should be published in the Federal Register, probably next Tuesday. After final publication of the rules, we shall solicit proposals from industry, and if all goes as planned, the first awards will be granted this fiscal year. We have $10 million for it this year, and the President is requesting an additional $10 million for next year.

PROGRAM INCREASES

Now, just a brief word about the in-house laboratory work at NIST. To ensure that NIST fulfills its potential to leverage the commercialization of new technological developments, we are proposing increases for critical areas of institutional health in four competitiveness areas which address major technological issues.

We are requesting increases to upgrade the NIST scientific computer and to begin to repair and upgrade the aging facilities at both Boulder and Gaithersburg. Increases for technology-related research are requested for standards and information, for quality improvement, information technology, electronic technology and intelligent machines and processing.

Let me just very quickly mention what those increases are. For institutional health, we are requesting an increase of $3.1 million for the upgrade of the computer and $1 million to retrofit the NIST facilities. The retrofit of NIST facilities will support the safety, system capacity, and obsolescence requirements of the NIST facilities at both sites.

There are four categories of technical program increases. For standards and information for quality improvement, we are requesting $6.6 million. NIST proposes to expand its program to support measurement research and services that are vital to improving process control and quality assurance in chemical-measurement intensive industries in general, and biochemical manufacturing, in particular.

For information technology, we are asking $9 million. Individual initiatives in this area include light wave measurement technology, a $5.5 million increase; integrated services digital network, a $1 million increase; and computer security at $2.5 million.

The third major area is electronic technology, an increase of $6.8 million. This includes technical support services for the electronics industry for new generations of semiconductor, superconductor, and atomic-scale devices.

The last major area for which we are seeking increases is in intelligent machines and processes, an increase of $7.3 million.

In addition to program increases, we are requesting adjustments to our base budget of $7.2 million.

PROGRAM DECREASES

The proposed decreases in the programs total $4.5 million. In the areas of emission studies and alternative refrigerants, we have a $0.5 million decrease, a $2.5 million decrease for the manufacturing technology centers, a small decrease in nonenergy-related inventions and a decrease in the Extension Service program of $1.3 million.

PREPARED STATEMENT

Thank you for the opportunity to appear today, Mr. Chairman. I will be pleased to take your questions.

[The statement follows:]

STATEMENT OF JOHN W. LYONS

Mr. Chairman and Members of the Committee: I am pleased to appear before you today to request appropriations for the National Institute of Standards and Technology (NIST) for the fiscal year 1991. This year the President is requesting $198.4 million for the National Institute of Standards and Technology, an increase of $36.6 million over the appropriation for fiscal year 1990. Of the total appropriation, $15 million will be used for extramural activities and $183.4 million to strengthen our traditional core research programs.

At a time when our Nation's industries are facing the critical challenges of worldwide economic competition, NIST has been given responsibilities to help increase the competitiveness of U.S. industry. This budget request addresses important technical activities needed for NIST to fulfill these responsibilities. The Omnibus Trade Act of 1988 states that NIST's first function is "to assist industry in the development of technology * * * needed to improve product quality, to modernize manufacturing processes, to ensure product reliability * * * and to facilitate rapid commercialization * * * of products based on new scientific discoveries * * *."

The second function is the support of the national system of measurements. We have set ourselves three broad goals in carrying out both these functions: first, the support of U.S. industry, second, continued attention to public health and safety, and, third, support of the scientific and engineering research community through fundamental research. The Omnibus Trade Act calls for both laboratory work at NIST and extramural support efforts. The latter includes the Regional Centers for the Transfer of Manufacturing Technology, the Advanced Technology Program, and the State Technology Extension Program. We believe that the two aspects of the NIST program are mutually reinforcing; that is, the one is strengthened by the other. Thus, our laboratory work will be better directed to industrial problems by the connections and contacts achieved in the extramural work, and we shall be more able to support the work in the extramural programs by dint of technical understanding derived from our laboratory programs. The conclusion I draw from this is that the two aspects of our programs need to go forward together and that it is not desirable to fund one at the expense of the other.

I am pleased to present to you the President's budget for NIST for fiscal year 1991. The budget proposes an increase of some 23 percent for NIST programs, the largest increase in recent memory. Not only does the budget have strong support for the various advanced technologies in our in-house laboratory work, but it also shows agreement in principle for two of the new extramural programs, the Regional Centers for the Transfer of Manufacturing Technology and the Advanced Technology Program. The budget has $5 million for the Regional Centers. The President has also approved $10 million for the Advanced Technology Program.

NIST does two kinds of technical work in support of industry: supporting services useful to industry at any stage of the commercialization process, and product and process studies. The supporting services include reference data, reference materials, and new measurement techniques. These services are useful at any stage in commercialization from characterizing new products or designing a replacement unit operation in a mature process. NIST has a long and successful tradition in supplying these services.

The product and process work exemplified by our work in advanced materials and factory automation is more difficult to manage. I believe that this work should be generic and precompetitive and not encroach on the proprietary aspects of commercialization. I say this because industry can best determine what its markets need, and because the cost to work far down the development time line rises exponentially. NIST cannot afford to develop specific products and processes, nor should it. By staying in the precompetitive areas NIST will command very high leverage—as it has traditionally—and thereby be able to be involved in many different technologies at once.

Unfortunately, NIST has not been able to keep pace with industry's needs. While industry has reacted to competitive pressures by increasing R&D spending by 82 percent over the last 15 years, Federal Government funding for R&D has increased 57 percent. The majority of the Government investment has been in defense-related technology while civilian R&D funding has lagged dramatically. NIST's efforts to respond to the competitiveness crisis have progressed despite near zero growth in constant dollars in resources for in-house research over the past 15 years.

This budget represents a major step in assuring that NIST will be responsive to the needs of industry by bolstering our laboratory research programs and the necessary support activities as well as the technology transfer programs undertaken through extramural cooperative agreements.

At this time, let me take a moment to speak of the status and plans of the Regional Centers for the Transfer of Manufacturing Technology, the Advanced Technology Program, and the State Technology Extension Services Program.

Three Manufacturing Technology Centers were selected in December 1988. The Center Director's now meet with NIST Program Management on a monthly basis to develop strategies and to resolve issues of common concern. Since each Center differs from the others in its local support base, their performance represents an experimental model for this type of technology transfer. The Northeast Center at Rensselaer Polytechnic Institute has completed 6 and has 34 current projects involving the research and development of factory automation technology which is very similar to the work at NIST. We expect that advanced concepts in manufacturing technology will be useful to small business in this region and that the New York Industrial Innovation Extension Service will effectively interact with the Center.

The Great Lakes Center in Cleveland has contacted over 1,200 companies and has initiated over 150 projects. This Center has close relations with large industries in the area and is striving to serve the many small industries that are concentrated across the Midwest. The State of Ohio has granted the Center $2.5 million which will be used to leverage the acquisition of over $7 million in capital equipment.

The Southeast Manufacturing Technology Center at the University of South Carolina is working with the State's technical colleges that were established to cooperate with industry. The Center has obtained a commitment of $2.45 million from South Carolina in 1990, and has established linkages with Georgia Tech., Clemson, and Oak Ridge National Laboratory as additional sources of R&D assistance. The Southeast Center is working toward the development of computer based methods for tracking supplier-vendor links and for manufacturing companies to evaluate themselves.

Although it is early in the program, these first Centers have made solid progress. The President has requested $5 million to support these Centers as we proceed to help them continue their efforts, and to evaluate their progress. We have sufficient resources, because of carryover from previous years, to implement the request of the conference committee last fall; namely, to increase the funding of the three existing centers and to start up one or two new centers.

The Advanced Technology Program is designed to encourage industry-led joint research and development in promising technologies. The philosophy behind the ATP is to seek high risk, high payoff opportunities to accelerate the commercialization of new and emerging technology in the United States. We are in the process of gathering advice from U.S. industry and from the leaders of programs in the Federal and State government. We have held a number of open meetings and expect to hold more. Our intent is to be guided by industry.

The Administration has completed work on the draft rules for this program; it should be published in the Federal Register momentarily. After final publication of the rules, we shall solicit proposals from industry. If all goes as planned, the first awards will be granted in this fiscal year. The ATP was appropriated $10 million in fiscal year 1990, and the President is requesting $10 million in fiscal year 1991.

The Boehlert/Rockefeller State Technology Extension Services Program was appropriated $1.3 million in fiscal year 1990. The Institute proposes to use these funds to make grants to the states to demonstrate methods of transferring Federal technology to state businesses. This program will provide support to increase the effectiveness of the Regional Manufacturing Technology Centers and to disseminate information to the states in the form of brochures, seminars, and workshops. These activities promise to build on the rapid increase in technology support programs which are being developed by the states themselves to help their own businesses improve productivity and manufacturing quality. We plan to work closely with the Technology Administration's Office of Technology Policy to ensure that the program complements the activities of the Clearinghouse for State and Local Initiatives on Productivity, Technology and Innovation, which is run by the Office of the Assistant Secretary for Technology Policy. The Institute will capitalize on the relationships developed with the states and continue to contribute expertise to the states through ongoing NIST activities in technology transfer. Consequently, no funds are requested in the President's 1991 budget for this program. We expect that strong Federal-State technology transfer arrangements will continue as a result of the relationships established between NIST and the states in 1990; other ongoing NIST technology transfer activities; and the activities of the Clearinghouse.

Now I want to treat the in-house efforts at NIST. To ensure that NIST fulfills its potential to leverage the commercialization of new technological developments, we are proposing increases for critical areas of institutional health and four competitiveness areas which address major technological issues. In the area of institutional health, we are requesting increases to upgrade the NIST scientific computer and to begin to repair and upgrade aging facilities at our Boulder, CO and Gaithersburg, MD laboratories. Increases for technology related research are requested for standards and information for quality improvement, information technologies, electronic technology, and intelligent machines and processes. I would now like to discuss each of these budget areas in some detail.

PROGRAM INCREASES

In the area of Institutional Health, we are requesting increases of 26 positions and $3.1 million for upgrading our scientific computer and $1 million to retrofit the NIST facilities. The increase for the scientific computer will enable NIST to respond to the needs of the scientific staff for more computing power, expanded capacity, greater flexibility, and enhanced software support to meet rapidly growing computational requirements which are of critical importance to NIST's mission.

The retrofit of NIST Facilities will support the safety, system capacity, and obsolescence requirements of the NIST facilities at Gaithersburg, MD, and Boulder, CO, which are 25 and 35 years old, respectively. The requested $1 million plus an additional $0.7 million to be collected from reimbursable customers would allow NIST to begin to address the most critical priorities.

Increases of 291 positions and $29.7 million are requested for laboratory research programs aimed at four competitiveness areas which are based on changing technology. Each of these initiatives emphasizes measurement-related research, quality assurance and process control.

In the area of Standards and Information for Quality Improvement we are requesting 69 positions and $6.6 million. Quality and competitiveness are becoming the determining factor of long-term economic growth and the survival of U.S. industries in the international market. Quality products and processes depend on generic technologies such as measurements, measurement methods, test methods, calibrations, and evaluated data. NIST proposes to expand its program to support measurement research and services that are vital to improving process control and quality assurance in chemical-measurement-intensive industries in general, and the biochemical manufacturing in particular.

This increase includes Chemical Measurements and Standards for 40 positions and $4.3 million—Chemical compositional measurement technology is used in virtually all industrial sectors and private/public testing laboratories. An estimated 250 million analytical chemical measurements are made each day, costing $50 billion per year. Even small improvements in chemical measurement technology could have an enormous impact, raising quality levels and competitiveness across a broad spectrum of U.S. industry. NIST proposes to expand its program in Chemical Measurements and Standards by developing new chemical separation methods, incorporating new mathematical tools and automation systems to improve accuracy and throughput of industrial chemical analyses, and developing state-of-the-art methods for measuring elements and molecules.

Also included is Bioprocess Engineering for 29 positions and $2.3 million. Although the United States currently leads the world in fundamental biochemical laboratory research, we are behind in bringing this technology to the marketplace. U.S. industry can use NIST's interdisciplinary measurement expertise to help reduce industry's dependence on expensive and time consuming pilot plant studies. With this increase, NIST will develop the tools to accelerate the conversion of innovative laboratory-scale advances to commercialization of biochemical products and thus secure a significant share of the world market.

In the area of Information Technologies we are requesting 86 positions and $9 million to develop measurement support for the next generation of information and communication systems. The U.S. information and communication industry is currently robust and competitive but it faces significant foreign competition from Japan, Europe, and Canada. Presently, industry is unable to fully and quickly develop the measurement techniques and standards needed to assure quality and compatibility because individual private sector entities lack the impartiality and specialized expertise in measurement science. NIST proposes to help industry through expanded programs focused on fiber optic support components, digital network services, and computer security.

Individual initiatives in this area include Lightwave Measurement Technology for 50 positions and $5.5 million. Japan has reached a par with the United States in fiber technology and is ahead and increasing its lead in supporting opto-electronic components. Industry needs NIST's objectivity and generic measurement expertise to develop measurement methods which will be adopted by domestic companies and international customers. This increase will continue the expansion of measurement support for components of lightwave systems such as light sources, modulators, and optical integrated circuits. The current lack of standardization in this field inhibits the emergence of competitive opto-electronic components.

Also included is Integrated Services Digital Network (ISDN) for 12 positions and $1 million. Networking of data, voice, and images provides specific segments of the U.S. service economy a tremendous advantage in the marketplace, but only the largest of companies can afford to develop such digital networks. NIST can provide unbiased leadership in bringing computer manufacturers, service providers, and system integrators together to develop technical agreements on ISDN. NIST's technical role is the development of the needed standard high speed protocols, implementation agreements and tests that will accelerate the introduction of ISDN into commercial products and will improve our international competitiveness.

The last initiative in this area is for 24 positions and $2.5 million for computer security. The Computer Security Act of 1987 (Public Law 100-235) assigned responsibility to NIST for developing standards and guidelines for non-defense computer security throughout the Federal government. Communications networks which link computer systems are vulnerable to disclosure, modification, or destruction. With this increase, NIST will undertake a laboratory-based program to assure the cost-effective security and privacy of sensitive information and protection from viruses in civilian Federal computer systems.

The third major technology area for which we are requesting 67 positions and $6.8 million is Electronic Technology. This area provides technical support services for the electronics industry for new generations of semiconductor, superconductor, and atomic scale devices. A strong electronics industry is essential for maintaining a successful competitive position for any country, including the United States. Japan is our major competitor. In the semiconductor area, Japan is gaining market share at U.S. expense. In high temperature superconductors, the race for the future market is even. In atomic scale devices, the opportunity exists for the United States to establish itself first in a future industry. NIST is the only source of the absolute accuracy and special metrological expertise which the industry needs for measuring properties of starting materials, evaluating successive processing steps applied to those materials, and measuring the characteristics of the finished product.

The first initiative in the area of Electronic Technology is Advanced Semiconductors for which we are requesting 41 positions and $3.9 million. This increase will expand the support needed by this measurement-intensive industry. Industry typically addresses measurement problems to the extent necessary to solve an immediate problem. NIST will develop new generic measurement methods needed to serve the broad industrial base over the long term. These efforts will lead to the next generation of integrated circuits with dimensional features below one micrometer. This initiative will provide the technical basis for voluntary standards to facilitate acceptance and sale of U.S. products in domestic and international markets.

We are also requesting 17 positions and $1.9 million for High Temperature Superconductors which will expand measurement support to industry needed to develop products utilizing the new superconductors. The discovery of superconductivity at temperatures above that of liquid nitrogen has stimulated intense international competition for lucrative and diverse new markets for superconducting devices. Obstacles to commercialization of these devices include brittleness, difficulty in fabrication, and poor current carrying capacity. U.S. industry needs NIST's special competence in developing and gaining acceptance of advanced measurement practices to overcome these obstacles.

The third initiative in the area of Electronic Technology, is for Atomic Scale Electronics. We are requesting 9 positions and $1 million. In order to increase the speed of data processing and communications, electronic and optical devices have been evolving toward ultra-small, atomic scale systems. Within a decade the ability to reduce the size of integrated circuits will run up against fundamental physical limits. NIST will develop new tests of the fundamental laws of physics at the quantum limits of precision to provide the measurement support needed by industry to develop future generations of microstructure devices based on manipulating individual atoms.

The last major area for which we are seeking increases is Intelligent Machines and Processes. For this area which addresses the fundamental measurement theory and automation that industry needs to control advanced manufacturing and materials processing we are requesting 69 positions and $7.3 million. Successful competition in international markets will demand the development and use of intelligent machines and processes which will produce materials and goods that have higher quality, lower cost, more modern designs, and functional characteristics tailored to meet rapidly changing market demands. Components of an intelligent machine or process include advanced sensors to measure critical product characteristics, computerized knowledge to give instructions, and physical or process manipulators to perform the work. These elements are integrated into a system which corrects itself without human intervention when something starts to go wrong. Technical barriers to full use include ways to represent process knowledge in forms which machines can interpret; advanced sensors for determining the form and properties of a product during production; and measurement technology and standards. NIST proposes to address these technical barriers through an expanded program involving three initiatives, the first of which is:

Intelligent Processing of Materials requiring an increase of 10 positions and $1.3 million. NIST will expand collaborative research with U.S. industry to develop in-process sensors, process models, and the principles of intelligent control needed in the production of materials. A range of disciplines including information technology, nondestructive evaluation, and materials science will be applied to the development of approaches for integration of sensory data, process models, and process control for intelligent processing. The program will develop a range of standards, measurement methods, and testing capabilities for intelligent materials processing.

The second initiative in this area is Intelligent Machines for which we are requesting 49 positions and $5 million. This initiative will expand collaborative, interdisciplinary research with industry on the processing of sensory data, the computer representation of product-and-process knowledge, and the intelligent control involved in the production of finished goods. Disciplines such as robotics and information technology will be used in the development of the technology base needed to measure the performance of and establish standards for future generations of intelligent machines. NIST will also spearhead a national plan for the development of standards to enable U.S. industry to design and manufacture products more competitively.

And third, we are requesting 10 positions and $1 million for High Performance Composites. Composite materials are an important area of worldwide competition in which the United States is no longer a clear leader. Efficient commercialization of composite materials is tied to increased reliability at lower unit cost. The requested increase provides the second increment of funding for the program on high performance composites started by a fiscal year 1988 President's initiative. The inability of current manufacturing techniques to control adequately fiber/matrix adhesion and other interface features is a major barrier for industrial fabrication of reliable composites. Industrial designers need performance data, guidelines for selection of compatible materials and fabrication processes, as well as new and improved techniques for inspection and monitoring of composite properties during production for improved process control and quality assurance.

In addition to programmatic increases, we are requesting adjustments to our base budget of $7.2 million and a decrease of 25 positions. These adjustments include anticipated savings of 25 positions and $641,000 in fiscal year 1991 resulting from A-76 productivity reviews. Also included are $3 million for the additional cost in fiscal year 1991 of the 1990 pay raise, $1.4 million to partially finance the 1991 pay raise for GS and SES employees, $1.3 million for personnel benefits and an extra compensable day, and $2.1 million for inflationary increases in costs of goods and services.

Proposed programmatic decreases total 13 positions and $4.5 million. They are:

Ignition Studies and Alternative Refrigerants (6 positions and $500,000). A decrease of 3 positions and $250,000 is requested for new fire research on ignition of upholstery. A decrease of 3 positions and $250,000 is also requested for study of alternative refrigerants. Alternative refrigerants are concerned with the ozone layer and the greenhouse effect. The Department of Commerce role in global warming is coordinated by NOAA. The highest priority work concerning the ignition of upholstery will be completed by the end of fiscal year 1990.

Industrial Technology Services program (7 positions and $4 million). A program reduction of 3 positions and $2,500,000 is requested for the Manufacturing Technology Centers program. A decrease of 1 position and $150,000 is requested for evaluation of non-energy related inventions. A decrease of 3 positions and $1,300,000 is requested for the State Extension service program.

Thank you for the opportunity to appear before you today, Mr. Chairman. I shall be glad to answer any questions you or other subcommittee members may have.

MANUFACTURING TECHNOLOGY CENTERS

Senator HOLLINGS. I was pleased to visit, along with you and Secretary Mosbacher, the South Carolina Regional Manufacturing Technology Center. We have your report on it. I think you were as impressed as I was that it has really got off to a running start. They are actually getting down to the small business entities and providing a very, very valuable tool to help us get competitive. Yet you have got a reduction in here. It should not be external versus internal, I want to keep all the research and everything else going.

Why can't we extend? This is almost like a secret operation. We could go over to the CIA building and hold this hearing. Nobody knows anything about this. Nobody understands it. No one appreciates it. Ninety-three people voted for it, but it didn't get too much discussion. They all thought it was a good idea, but they haven't followed through. If we could really get it around, we could get some movement going, and some industry staying here in this country. Why do we drag our feet even as we face the threat of global catastrophe with respect to the competitive catastrophe?

I think the latter is a greater threat at the moment, what with EC 1992 and everything else like that, and we are still researching.

We weren't ever short-changed on research. We still are the world's eminent leader in research. We are the world's laggard when it comes to the actual commercialization. I find a foot-dragging here and a reluctance to really get into actually something that you have seen and commended and know it works. Why?

Dr. LYONS. Let me first begin with your observation, Mr. Chairman, about the center that we did visit. I think the three centers are off to a very good start. I said so in my statement. Because they are off to a good start and because we have had some very good discussions within the Department of Commerce, we are going to go forward. We are going to double the budget of each of those three, as the conference report suggested last year. That will raise them up from $1.5 million each to $3 million of Federal money, and that has to be, as you know, matched dollar-for-dollar by the local entity.

These will be, I think, now substantial activities. I have high hopes for them. We will, at the same time, this year, put out a new Federal Register notice. Unfortunately, we have to do that because of the way we did the first series. That is in the works. It is at OMB now. We propose to start one or two new centers at the end of this fiscal year or early in the next one.

So my sense is that we have succeeded with that concept. I feel very good about it, and I think that the people running the programs in the three current centers are doing a good job. I think if we visited the other two, we would see the same kind of success story.

I think that you are right; we need to talk more about it. We need to get the word out that we now have a success, something working. We will try to give a little more attention to those subjects.

Senator HOLLINGS. The concept, we had that testimony from former Secretary Verity, and of course, you can speak with greater authority because now we actually have seen it, but there never has been any doubt. The concept has worked for years in agriculture. There is no doubt about it with respect to the competition there and the tremendous need for modernization and everything else.

We find, for example, Senator Adams and I went to a health hearing. We have much, much more brilliant, talented youngsters coming in today in the field than what we had 40 years ago. So they are smarter, and their research is superb.

We find out, however, that there is just a tremendous expotential increase in the technology equipment facilities. We are not able to provide it. Therefore, we are negotiating the grants downward. Just cut them after you get it and we are going out of business.

This is the kind of thing that in industry itself wants. Here it is with all of these opportunities, and we lamely dance around the Senate floor telling people, "Get off the golf course. You have got to get in there and invest for the long term."

We haven't paid a bill in God knows when, and so money costs four times more than it does without competition and everything else, yet we are the ones telling them, "Yes; let's get to the long term," and we are the ones preventing it.

I think we are going to have to move substantially faster and not worry about the Register and all of those other things. If you have got 2, we need to put 20 in there. At least we have got notice that you don't have any money, so you don't have to worry about getting 20. Neither do I. I would like to get the money. But at least let's get past all this bureaucracy and really get it moving.

We are in the posture of catchup ball, particularly with EC 1992. We are moving, and you will find the American people will support you. There is a tremendous change now there. They understand we are moving from the cold war to the trade war. We are up in the grandstands caterwauling, "Let's don't start it." It is in the fourth quarter down on the field.

ADVANCED TECHNOLOGY PROGRAM

With respect to the Advanced Technology Program, I notice you have got in here a matter of expanded electronics. I am trying to think out loud of a mission to get it off and running like we have with the regional centers. Your electronic friends tell me that with this flat screen technology, we may be able to jump some steps on high definition television because, by the time politicians learn about it, it is old hat. They are spending hundreds and hundreds of millions of dollars, our competition. Here we have $1 million and we think we really have a program.

So they tell me to sort of leap ahead of that particular endeavor, because it itself could be outmoded within 10 years or so. They really think the technology for the next century is this flat screen. If we put some money in NIST to help industry start moving under that advanced technology, it would not only be a tremendous leap forward for America's industry, but establish credibility for that endeavor.

Do you have any comment about that? Or give me something better. I want to get it moving. Don't tell me about the Federal Register and who you have to notify. To hell with the Registers.

Dr. LYONS. Yes; I have a comment about HDTV, or whatever the current label for that is. There is some problem, I guess, with that label in this town. Our budget has in it a number of requests that are related to the general problem of advanced imaging or advanced television technology.

What we have been trying to do in our laboratory program for a long time is to focus on those technologies that will allow something like advanced television to come to pass. Advanced television, in our view, is really one sign of the telecommunications digital revolution that is clearly coming.

You mentioned the potential to leap frog. I think the potential is very definitely there. The current proposals are partly analog and partly digital. They are hybrid proposals, let me say.

We have been requesting, over the last four or five budget cycles, money, for example, for optical communications. We have in this budget proposals for the advanced semiconductor technology that relates to the processors that will go in those advanced television receivers to unscramble the signals and put them on the screen.

We have worked for a long time in microwave technology, which is related to this. We have a good program already in place in the switch gear that is necessary for unscrambling and scrambling optical digital signals. It is called ISDN. There is a bit of money there.

So there are three or four initiatives in this package that relate to our laboratory programs which will support those technologies and enable industry then to build the final products that will get us into that new generation or lead them to do the leap frog, which I hope we will be able to do.

So the laboratory program addresses that, but indirectly, it addresses those technologies that industry needs, which has always been at NIST. We did that, Mr. Chairman, in the factory automation area, which is what we were really talking about earlier. When our fellows at Gaithersburg started working on all of the problems involved in getting computers into the factory, we didn't build the machine tools, but what we did do was show people how to prepare the standards and protocols that enable the different computer controls to talk to each other, and that led, of course, to the manufacturing technology center program.

So I think we have a good track record on preparing the way for industry to build its products and processes.

Senator HOLLINGS. There is another hearing that I have got to get to, in fact, I was supposed to be there at 11 o'clock. I have some additional questions with respect to the standard experts on solar, the Federal Laboratory Consortium, the Volunteer Laboratory Accreditation Program. We will submit these questions to you for the record.

I am thinking in terms of $40 billion over in DARPA and in defense. If I could be king for a day, I would go over there and just change the sign to say National Institute of Standards and Technology on the door and put you in charge of it. Then you could continue the ones that were worthwhile in this trade war rather than continue with the cold war. Otherwise, you have a crowd down there that will never get rid of their programs and let get you into it.

We want to expand a lot on research and technology and expand your endeavor. That doesn't bother me a bit. We will support it very strongly, because the old Bureau of Standards has been neglected over the years budgetarily. So we want to get those going. The residuals themselves are at stake, real commercialization and the actual advance and the recognition by the politician and the public, that is what we want to get a proper support for, so we will be able to survive in this competition.

Dr. LYONS. We certainly appreciate your confidence.

Senator HOLLINGS. What would you like to have that is not in your budget now?

Dr. LYONS. Well, I have to say that I think that getting a 23-percent increase from the President was a startling development for us. We are still digesting and savoring that.

Senator HOLLINGS. Well, you have got to think in more positive terms. [Laughter.]

We have got to make you a liberal spending Democrat. [Laughter.]

You must be one of these Mossback conservative, hard-ridden Republicans. Are you from, Iowa or somewhere else in the Midwest who sits and listens the radio all night?

Dr. LYONS. I hesitate to tell you I am from Massachusetts.

Senator HOLLINGS. Massachusetts. You are a refugee, then.

Dr. LYONS. Yes, sir.

Senator HOLLINGS. Really, there is no question in my mind, the investment here will pay off like gangbusters; and keep us going. It is very, very important. Maybe after you get a few more of your programs going, we will have a committee hearing and get all the members here. We need to get them here and let them understand exactly what you are doing. Because it opens my eyes every time I get around to it to find out what is going on over there.

LETTER FROM TELECOMMUNICATIONS INDUSTRY ASSOCIATION

The subcommittee has received a letter from the Telecommunications Industry Association in support of NIST's optical fiber communication program. The letter will be made part of the record.

[The letter follows:]

LETTER FROM ALLEN R. FRISCHKORN, JR., PRESIDENT, TELECOMMUNICATIONS INDUSTRY ASSOCIATION

MARCH 20, 1990.

Hon. ERNEST F. HOLLINGS,
Chairman, Senate Subcommittee on Commerce, Justice, and State, the Judiciary, and Related Agencies, S-146A Capitol Building, Washington, DC.

DEAR CHAIRMAN HOLLINGS: As you prepare for the fiscal year 1991 budget mark-up, I would like to express the concern of this Association for the full funding of the optical fiber communication program of the National Institute of Standards and Technology (NIST).

The fiber optics industry is represented in TIA by 85 corporate members which manufacture components and systems for telecommunication products and systems. We have been producing test procedures, specifications and other standards for the past twelve years which have played a significant role in the growth and expansion of optical fiber communication technology. NIST has been associated with us in that standards role since its inception. Their expertise in optical fiber measurement, their advanced laboratory test facilities, and their unique professional and objective approach to test and research projects have made their participation and partnership with us invaluable. Without the NIST assistance and leadership, the U.S. fiber optics industry would not be in the competitive position it is today.

With regard to the NIST budget for 1991, the additional $5.5 million requested is focused on expanded measurement support for opto-electronic components. The work done by NIST in this area over the last several years has been of significant importance in improving performance and reducing component costs. This year's additional funding will complete the previous projects and begin work on hybrid circuits, multiplexing, coherent communications, and system performance. Improvement in design and performance in these key areas will enable the United States to retain its competitive edge in fiber signal technology and advance the date when it will be economical for providers to run fiber to the home. Without this support the U.S. capability will lag and European and Japanese products will become cheaper, more reliable, and be the preferred opto-electronic component for United States and foreign communications systems.

We continue today to call on the NIST Boulder Laboratories for measurement support in areas where only they have the facilities and expertise to perform the work. We urge that this increased funding be approved in recognition of the role NIST plays in advancing communications technology toward the impending Information Revolution.

Sincerely,

ALLEN R. FRISCHKORN.

LETTER FROM C. JUDSON KING

Senator HOLLINGS. The subcommittee has also received a letter from C. Judson King of the University of California in support of NIST's bioprocess engineering initiative. The letter will be made part of the record.

[The letter follows:]

LETTER FROM C. JUDSON KING, PROVOST, PROFESSIONAL SCHOOLS AND COLLEGES, PROFESSOR OF CHEMICAL ENGINEERING, UNIVERSITY OF CALIFORNIA, BERKELEY

MARCH 20, 1990.

Hon. ERNEST F. HOLLINGS,
Subcommittee on Commerce, Justice, and State, the Judiciary and Related Agencies, Committee on Appropriations, S-146A, Capitol Building, Washington, DC.

DEAR MR. CHAIRMAN: I am the past Chair of the National Research Council's Panel for the National Engineering Laboratory of the National Institute of Standards and Technology (NIST). I also chaired the recent National Research Council study leading to the report, "Separation and Purification: Critical Needs and Opportunities". My purpose in writing is to express my strong support for the Bioprocess Engineering budgetary initiative of NIST.

Bioprocess engineering holds much economic promise for the United States. It is a field where we are far and away the leaders in fundamental scientific research. However, to create a bioprocessing industry that is competitive (and then some, we would hope!), it is necessary for the United States to develop a strong position in the new processing technologies that are required to turn these fundamental discoveries into real products. In that area we have severe competition from other countries, notably Japan and Germany.

Recent studies have shown that the United States lags considerably in the proportion of our research and development effort that is going into actual bioprocessing technology, as well as in our production of bioprocess engineers.

The National Institute of Standards and Technology has a well defined mission in creating measurement and control techniques and standards that will support U.S. industry in critical areas. NIST should therefore have a strong role in providing such research for the area of bioprocessing. It is fully capable of doing so. This initiative serves that purpose and deserves to be supported so that NIST can move fully and effectively in the area of bioprocess technology.

Thank you for your consideration.

Sincerely,

C. JUDSON KING,

Provost, Professional Schools and Colleges, Professor of Chemical Engineering.

STATEMENT FROM THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

Senator HOLLINGS. The subcommittee has received a statement from the American Society of Mechanical Engineers with regard to NIST's budget request. The statement will be printed in the record at this point. The report mentioned in the statement will be retained in the subcommittee's files.

[The statement follows:]

STATEMENT OF THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

The ASME/NIST Interaction Committee, of the American Society of Mechanical Engineers (ASME) appreciates the opportunity to present our views through this written statement to the Senate Subcommittee on Commerce, Justice, and State, the Judiciary and Related Agencies regarding the Bush Administration's fiscal year 1991 budget request for the National Institute of Standards and Technology (NIST).

Founded in 1880, ASME's membership of 119,000 engineers, which includes 19,000 students, practices many applications of engineering. As a result, we have a strong and continuing history of interest in both the immediate and long-term direction of the National Institute of Standards and Technology (NIST) and have an established ASME/NIST Interaction Committee to coordinate the Society's activities in this area. This statement was prepared by the ASME/NIST Interaction Committee and represents the consensus of this group rather than an official position of ASME.

We wish to note that NIST has recently released an updated report which outlines several areas of interactions between NIST and ASME. A copy of this report is attached and we request that it be included with our statement in the record of this hearing.

As the Nation's primary research laboratory tasked with developing certain measurement and quality control standards, NIST plays an important role in promoting technology transfer and utilization. In particular we refer to NIST's continuing technical programs and those programs related to emerging technologies, as well as new NIST activities such as the manufacturing technology centers and the advanced technology program.

We hope these efforts, through both ongoing and recently initiated programs, will be continued and strengthened. However, we want to emphasize that new programs should be funded on their own merits, not at the expense of existing core programs.

Overall we are quite pleased with the fiscal year 1991 budget request of $198.4 million, a $36.5 million increase over the fiscal year 1990 appropriation of $161.9 million. This represents the largest single increase in funding since the agency's inception, an increase which we believe has been long overdue. Congress needs to insure that these resources are made available to NIST if we are to utilize the unique resources of NIST to more strongly support U.S. industrial competitiveness.

This statement focuses on selected programs slated for substantial funding increases or decreases under the fiscal year 1991 budget proposal. Please do not interpret this to mean that the areas we do not address are not important.

We are concerned with the $2.5 million proposed cut in the Regional Manufacturing Technology Centers program. This program has provided grants to universities and nonprofit organizations that have established manufacturing technology centers to benefit small and medium-sized businesses. These centers have done a great service by providing for the technology transfer of new standardized manufacturing techniques to small companies.

Another major area of concern is with the termination of funding for the study of alternative refrigerants within the building research program. The proposed cut of $250,000 comes at a time when we are faced with an urgent need to replace the currently used refrigerants which damage the stratospheric ozone layer. We believe that this program should be continued.

We support the proposed increases for the Advanced Semiconductor and High Temperature Superconductor programs. The Advanced Semiconductor program has been targeted to receive increased funding of $3.9 million to develop measurement support for the semiconductor industry. Since integrated circuits will soon have features with dimensions of less than a micrometer, new measurements will be needed to characterize the new processes for making such small structures.

The High Temperature Superconductor program has been earmarked to receive increased funding of $1.9 million. With the development of products which will utilize new superconductor technology it will be necessary for NIST to expand its research within the area of measurement support in order to make these products readily available for U.S. industry.

In the area of standards and information for quality improvement, we endorse the proposed budget increase of $2.3 million in the Bioprocessing Engineering program. This funding is vital to further the research in advanced engineering procedures required to move innovations in biotechnology from the laboratory into the hands of industry. The sooner U.S. companies have the benefit of this technology the sooner they can compete within the global marketplace.

We are in favor of increased funding in the area of information technologies. The Lightwave Measurement Technology Program has been scheduled to receive a proposed increase of $5.5 million. This increase will support the development of standardized measurement methods needed throughout the U.S. optical fiber communications industry to improve its international competitiveness. U.S. manufacturers will use NIST measurement methods to strengthen their R&D programs, to improve productivity and quality control in their manufacturing processes, to gain access to international markets, and to install and maintain sophisticated systems for their customers. NIST has estimated that the economic benefits from its full plan of measurement support will exceed $1 billion in productivity measures alone during the 1990's.

Also in the area of information technologies, we are supportive of the $2.5 million proposed increase in the Computer Security Program. Under the Computer Security Act of 1987, NIST was charged with the responsibility of developing standards and guidelines for nondefense computer security throughout the federal government. This increase in funding is necessary to support the development of NIST research, standards development, and technical assistance programs necessary for the protection of computer and advanced information systems.

In closing, we would like to again go on record as supporting a two-year budget authorization for NIST. This would allow for better long-term planning and eliminate much of the guess work that currently takes place during the yearly authorization process. Long-range planning is critical to meeting many of the technology and competitive challenges that the U.S. faces today. With the advent of the European countries incorporating their markets into a single integrated entity by 1992, U.S. exporters will be facing the problem of dealing with differing national technical standards. This area will have an impact not only in the scope of the standards and measurements work at NIST, but in all of the competitiveness areas which we have outlined in this statement.

Thank you for the opportunity to present these views on the proposed fiscal year 1991 budget for the National Institute of Standards and Technology.

STATEMENT OF THE INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS, INC.

Senator Hollings. The subcommittee has received a statement from the Institute of Electrical and Electronics Engineers, Inc. with regard to the fiscal year 1991 budget of NIST.

The statement will be printed in the record at this point.

[The statement follows:]

STATEMENT OF THE INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS, INC.

Technology and its growth and application are particular interests of the Institute of Electrical and Electronics Engineers - United States Activities (IEEE-USA). We are the largest technical professional society in the world, and have a quarter million members in the United States who are engaged in advancing the frontiers of knowledge and supporting the public with a broad and growing range of electrotechnologies. This gives IEEE-USA a special interest in U.S. government programs which support the advance of technology and the nation's competitive position. We are therefore eager to address the elements of the proposed National Institute of Standards and Technology (NIST) budget that affect electrical and computer engineering science and technology, and to provide our perspective on the role of the Department of Commerce in fostering development of technology for the nation, thereby enhancing its global competitive position.

There can be no doubt that NIST fills an essential role in supporting the Nation's science and technology base. As the unbiased arbiter of the many issues which the technical community faces relating to measurement, it performs a key function of government for the country. Moreover, this is an ever-growing role, as the variety and complexity of measurement expands with the growing wave of modern technological society. A sound national and international system of measurement is vital to research and development, productivity growth, assurance of quality, and a health posture for international trade. The basic and applied research performed by NIST in support of measurement is absolutely vital in these areas.

Unfortunately the NIST budget has not been adequate in recent years to deal with this vital mission. As the Bureau of Standards it was historically underfunded to execute its basic role, and burdened with additional tasks inspired by the high technical quality of its people and facilities. Each new project brought a small increment of funds, with a promise of out year increases; in reality, the increases often failed to materialize, and the Bureau was left with an expanded mission and insufficient resources. Three years ago we called for steps to increase the budget of the then existing NBS to $200 million over three to five years. We are happy to see that the President's Budget for FY91 approaches that level.

We note with alarm, however, that the initiation of the Advanced Technology Program (ATP) has resulted in a major expansion to the mission of NIST. which again has not been accompanied by an adequate funding increase. The IEEE-USA supports the ATP's goal of encouraging cooperative efforts between industry, universities, and government in technology development. Given adequate resources, ATP could play a vital national role in promoting technology. However, ATP should not be allowed to drain off resources essential for NIST's critical standards role.

There can be little doubt why the international competitive position of the United States continues to decline when the Federal government does not adequately support its own standards role which, under the law, can belong to no other organization. This synergistic role is absolutely vital, although it will cost only a tiny fraction of the amount invested by industry, and a tiny fraction of the overall Federal Budget. We estimate that an FY91 appropriated budget of over $250 million per year would be necessary to sustain previous missions and give the ATP a good start.

On the positive side, we note with pleasure the confirmation of Dr. John Lyons as Director of NIST. Dr. Lyons has earned the respect of the national technical community, and we are looking forward to positive results under his leadership. We hope to see a similarly strong indivdual confirmed as Undersecretary for Technology in the Commerce Department very soon; the country needs strong leadership in both of these positions to keep U.S. industry strong and competitive.

COMPUTER SCIENCE AND TECHNOLOGY PROGRAMS

In recent years we have repeatedly pointed out the criticality of the computer industry in the U.S., the competitive challenges it faces from abroad, and the need for a healthy standards program to support it. In this regard we are pleased to see that the President's budget includes increases in funding for the National Computer Systems Laboratory (NCSL). However, given that a proposed increase of $3.5 million in FY90 for the Computer Security program was redirected to the ATP, we believe the FY91 budget should provide at least $3.5 million, an increase of $1 million over the Administration's request, to support a healthy program in that area.

We have been tracking the fledgling NIST Computer Security program and are encouraged by the results obtained to date on very limited funding. The NIST efforts have built on prior work at the National Security Agency in a positive way, and have begun to make information available to Federal computer managers which should ultimately result in badly needed improvements to computer security. But we must emphasize once again that an effective program in computer security will cost several times the amount proposed for the FY91 increase.

We are particularly pleased to see the proposed increase of $1 million for Integrated Services Digital Network (ISDN) standards. Last year we pointed out in testimony that tremendous opportunities lie in this area, both for saving the government money and improving U.S. competitiveness. We believe that U.S. industry will match this investment many times over, given appropriate leadership from the government. In this market hundreds of billions of dollars are spent annually, yet the standards process is dominated by the Europeans because NIST has not been funded in this area and since AT&T is no longer able to play a central role in the standards process. The potential benefits of such standards in reduced cost and increased effectivenss of information technologies, both to the government and to the country as a whole, can be expected to dwarf the $1 million ISDN expenditure. Following this same logic we would again emphasize the need to match this amount with expanded funding in the companion area of Open Systems Interconnection (OSI) networking standards.

MEASUREMENT SCIENCE AND PRECISION MEASUREMENT STANDARDS

Year after year we have voiced our concern with the failure of the Federal government and industry to keep pace with the growing need for precision measurements of assured accuracy and authenticity. Such measurements are needed to retain a competitive role in the U.S. marketplace where more than $160 billion per year is spent on measurements in the alone. Precision measurements are also essential to introduction of technology as a force mutiplier in our military. Certainly this year's increased budget is a good start toward mending the years of neglect in research, development, and dissemination of adequately precise and accurate measurement, measurement standards, and methods of measurement. But several more years of similar increases will be needed to close the gap which has developed in the last decade.

We are gratified to note that Lightwave Measurement, Advanced Semiconductors, and High Temperature Superconductors have prominent places among the new initiatives of the National Engineering Laboratory. These worthy efforts are critical for technology growth in the electrical, electronics and computer industries. However, we feel compelled to point out that the initiative we had expected to see in millimeterwave and microwave standards is absent from the President's budget. For the past several years we have been calling attention to a critical need in this area. The situation has become so serious that one of IEEE's technical societies created a committee known as Promote National Microwave Standards (PNMS) to focus attention on what we preceive as a growing crisis. Their report contained statements such as:

> "NBS efforts in microwave and millimeterwave calibration standards have declined by a factor of two over the past 15 years while the U.S. microwave and millimeterwave industry has doubled"

and that:

> "...it is the conclusion of the PNMS Committee that the present status must be changed dramatically. Otherwise the NBS capabilities in microwave calibration standards will continue to decline relative to the needs of U.S. government and industry and fall behind foreign competition."

The PNMS report cites needs in excess of $38 million over a five year period to attend to some 75 of the most serious deficiencies. We strongly feel that the Congress should provide at least $2 million as initial funding in microwave calibration standards, in addition to the other NIST initiatives.

SUPPORT FOR U.S. PARTICIPATION IN INTERNATIONAL STANDARDS BODIES

Rules of international standards have changed. The development of standards is no longer based on market dominance alone. Technology dominance can now be a decisive factor in favor of one proposed standard over another. The inter-national arena also has become increasingly important with development of the global market place, and EC92 will further accelerate this trend. Standardization has also moved from an evolutionary process of common use and acceptance of long-established practices to one of standardization of essential elements, interfaces, compatibility requirements, and configuration controls which are employed even before products are completely developed. That is, standardization has gone from a bottom-up process to a top-down process.

With the decrease in U.S. manufacturing in many vital areas of our economy, and in some cases with unavailability of U.S. manufactured equipment (as in many areas of power equipment and consumer electronics), there is a danger that the needs of U.S. industry will not be recognized by international standards groups. U.S. participation is based on voluntary, ad-hoc processes where industry foots the bill if the market place demands it. Time and travel expense of technical experts are often too great for individual companies to afford. Other countries have systems whereby their governments provide financial assistance for such activities through trade organizations.

The Congress should appropriate funds to be administered through the Department of Commerce to organizations such as the U.S. National Committee of the International Organization for Standardization (ISO) for an effective and broad participation in standards processes of ISO, IEC, and other international bodies. Such an approach is now essential in responding to the growing demands of international standards activities and ensuring the effectiveness of U.S. participation. We would suggest initial funding of $2 million in FY91 for participation of national standards bodies in the international standards process.

GOVERNMENT ORGANIZATION FOR COMMERCIAL TECHNOLOGY DEVELOPMENT

Over the past several years, the IEEE-USA has promoted proposals for an increased Federal government emphasis on commerical technology, which we believe is needed to remedy the nation's increasingly critical position with regard to technological competitiveness. In a new IEEE-USA position statement, which is appended to this testimony, we call even more strongly for focused Federal efforts in technology.

The creation of NIST from NBS and establishment of an Undersecretary of Commerce for Technology were welcome steps in this direction. We strongly support strengthening the role of the President's Science Advisor and the Office of Science and Technology Policy (OSTP), and we urge further Congressional action to affirm the role of the Department of Commerce to provide a cabinet-level voice for technology.

Beyond adequate support of the Science Advisior, OSTP and NIST, new government capabilities for action in the arena of commercial technology are needed. Our considered conclusion is that an enirely new National Technology Agency (NTA) is needed to support advanced technology research and development projects focused on the commercial marketplace. Lack of such an agency in the U.S. is giving an advantage to our international competitors. We view this agency as a civilian

We envision this proposed NTA as a civilian version of the Defense Advanced Research Projects Agency. Such an agency could develop out of NIST's Advanced Technology Program (ATP), but in our view it would be better for the NTA to be a part of the Commerce Department, distinctly separate from NIST, in order to avoid contention for resources. We strongly urge the Congress to create a National Technology Agency within the Commerce Department as soon as possible. In the meanwhile the ATP should be supported with an increase in funding to at least $20 million in FY91 over and above the requested increases provided for other NIST initiatives.

The IEEE's U.S. members stand ready to help in keeping this country's position of leadership in technology. We are pleased to have been able to share our views on the National Institute of Standards and Technology and the importance of a new National Technology Agency with you, and would be happy to assist in any other way we can.

FEDERAL GOVERNMENT SUPPORT FOR TECHNOLOGICAL COMPETITIVENESS

This statement updates and supersedes the IEEE-USA position National Technology Foundation of June 1983, and is issued as a companion to the IEEE-USA positions Industrial Competitiveness of May 1986 and U.S. Engineering Research and Development of November 1986. The first of these establishes the critical role of technology in national competitiveness. The second differentiates engineering research, which is the source of technology development, from scientific research. We support scientific research strongly; however, science is not addressed here. Technology is the critical issue.

RECOMMENDATIONS: To regain the United States' position as a strong world leader in technology, and to strengthen the U.S. position in technological competitiveness internationally, the IEEE-USA recommends that:

- The Executive Branch provide a voice for technology at the cabinet level.
- The Congress provide adequate funding for the standards mission of the National Institute of Standards and Technology, give the Department of Commerce further responsibilities by establishing a National Technology Agency within the Department, and provide adequate resources to discharge the augmented responsibilities; and
- The role of the Office of Science and Technology Policy be strengthened, and the President's Science Advisor be elevated to have a voice and influence equal to that of the National Security Advisor.

DISCUSSION:

A Cabinet-Level Voice for Technology. Although technological leadership must rest primarily with the private sector, government policies and actions have a strong influence on either promoting or deterring it. The United States needs a rational, integrated national policy on technology, designed to achieve and maintain technological leadership to enhance U.S. industrial competitiveness in global markets. Our international competitors are drawing ahead of us, in part because their governments promote technology development more effectively. The U.S. needs effective policies which embrace technology research and development, trade, education and training, and the economics of capital formation. Government funding of high-risk research and development, including work performed in Federal laboratories, must be coordinated to complement investments in the private sector. Responsibility for promoting technology currently is distributed among too many different agencies to be effective in improving competitiveness and enhancing our trading position. The relevant agencies are simply too fragmented and uncoordinated to establish and implement such a policy.

Competitiveness requires not only development of leading-edge technologies, but sucessful commercialization, which implies an environment in which products can successfully compete in international trade. Thus, policies for technology and trade must be coordinated closely. Further, since industrial competitiveness and our trade balance are such critical issues in the national agenda, and since it is now understood that industrial competitiveness depends strongly on deployable, new technologies, these issues need to be managed at top policy levels to get the attention that U.S. national trade interests require.

Augmented Technology Resources. The recent establishment of the National Institute of Standards and Technology (NIST) and an Undersecretary for Technology within the Department of Commerce are positive steps. We are concerned, however, that using the National Bureau of Standards (NBS) as the base for NIST will result in a further loss of focus on its standards mission which is an essential base for technology and trade. We note that in recent years the NBS has been provided inadequate resources for its standards mission, and that when it assumed the larger NIST mission its budget was not increased. Science, engineering, and technology activities unrelated to standards should be extracted from the standards Institute and provided with adequate funding. Conversely, information standards, now partially addressed by the NIST's Institute of Computer Science and Technology, and by the National Telecommunications and Information Agency elsewhere in the Department of Commerce, have received too little attention and should be provided greater resources as part of the standards mission.

A National Technology Agency (NTA) should be established to strengthen support for U.S. technology. The NTA should be similar to the Defense Advanced Research Projects Agency (DARPA) but focused on the civilian sector and market-oriented. Functions of this agency should include:

° Research grants to technology research and development activities;

° Technology research "seed" contracts with industry, and

° Promoting cooperative industry/university activities in technology research and development, including manufacturing and process research and development.

Elevating Technology in the President's Councils. The President needs a top-level staff organization to provide guidance on matters of science and technology policy. Technology affects every aspect of our national existence and every part of our government in fundamental ways. Technology is closely coupled with national competitiveness, an overwhelming economic concern to the United States today. Thus, in many ways like national security, technology is a broad and cross-cutting concern of our country. It is therefore critical to strengthen the voice and influence of technology on the President's staff and in his councils. We strongly support the President's announced intent to do this, and urge that early action be taken to make these changes a permanent part of the Government's structure.

CONCLUSION: The United States faces greater economic challenges today than ever before. Technology has an unquestionable role in meeting these challenges, at a time when international competitors are overtaking our erstwhile technological leadership. The present organization of the Federal government needs major restructuring to provide a clear and strong focus on technology, and to sustain U.S. technological leadership in an increasingly competitive world.

ADDITIONAL COMMITTEE QUESTIONS

Senator HOLLINGS. Very good, sir. We appreciate your testimony, Dr. Lyons. We will leave the record open for further questions.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

Internal vs External Programs

QUESTION:

What is the linkage, if any, between the internal program at NIST and the new external programs? Is it important from NIST to stay active in its internal program in order to do a competent job with the Manufacturing Technology Centers and the Advanced Technology Program?

ANSWER:

We believe that the two aspects of the NIST program are mutually reinforcing; that is, the one is strengthened by the other. Thus, our laboratory work will be better directed to industrial problems by the connections and contacts achieved in the extramural work, and we shall be more able to support the work in the extramural programs by dint of technical understanding derived from our laboratory programs. The conclusion we draw from this is that the two aspects of our programs need to go forward together and that it is not desirable to fund one at the expense of the other.

The Omnibus Trade Act calls for both laboratory work at NIST and extramural support efforts. The latter include the Center for Integrated Design and Non-Destructive Evaluation and Manufacturing, the Regional Centers for the Transfer of Manufacturing Technology, the Advanced Technology Program, and the State Technology Extension Program.

The National Institute of Standards and Technology (NIST) provides a wide range of measurements, services, test methods and data to support U.S. competitiveness in world markets. This is accomplished through scientific research; cooperative efforts with public and private research institutions; technology transfer programs including the Manufacturing Technology Centers and the Advanced Technology Program; and the Malcolm Baldrige National Quality Award. These activities allow NIST to maintain our national standards for measurements; support domestic and international voluntary standards processes; promote technology innovation; support secure and reliable federal computer systems; and spur advances in applied and developmental research being conducted by U.S. industries.

QUESTION:

This year, the Administration has requested nearly $34 million in program increases for NIST's internal activities. The Administration has requested increases for additional research and technical services in a wide range of areas, including semiconductors, superconductivity, intelligent machines, and bioprocess engineering.

- Why do you believe that these increases are necessary, and, if funded, how will they actually help U.S. companies become more competitive in these areas?

- How has the internal program's flat budget the past few years affected your ability to help U.S. firms speed product development, reduce costs, and improve quality?

ANSWER:

Industry needs the supporting technology that NIST provides in order to speed product development, reduce costs, and improve quality -- all necessary to becoming more competitive in the world market. The NIST budget has not kept pace with industry's expansion into new technologies, as well as their need for more measurement-related assistance as they struggle to be competitive. The $34 million in program increases will enable NIST to establish or expand programs to meet these needs in four major competitiveness areas: Standards and Information for Quality Improvement, Information Technologies, Electronic Technology, and Intelligent Machines and Processes; and two additional programs related to NIST's own institutional health.

Before global competition became a major economic policy problem for the United States, the number of industrial technologies requiring support from NIST was considerably smaller. Moreover, the time taken to develop a particular supporting technology was not an especially important concern. In cases where industry could supply little or none of the needed technology, NIST proposed a dedicated research program to Congress. Several years frequently elapsed before NIST received funding and could proceed to conduct the research.

As the intensity of global competition has increased, the pressure to initiate and complete research programs in a more timely fashion has become critical. Research must be undertaken early in a technology's life cycle in order to provide the technical support U.S. industry needs to beat foreign competition to market. Because firms are concentrating on developing new products and production methods, the private sector underinvests to a relatively greater extent in nonproprietary and generic technologies. The burden thus falls more on NIST to fund and provide the needed supporting technologies and to contribute to the set of generic technologies.

The rapid evolution of basic science worldwide has spawned a virtual explosion of applications -- i.e., emerging technologies. The Department of Commerce, the National Science Foundation, and the Department of Defense in the United States and government agencies in other countries have compiled lists of emerging technologies with significant economic potential. These technologies will collectively comprise a substantial industrial base which will fuel economic growth for decades -- at least for those countries at the forefront of technology development and application. Successful development of a range of emerging technologies will require greatly increased investment by both industry and government in their respective areas of responsibility.

Basic science, a U.S. strength, has been reinforced by real increases in the NSF budget during the 1980s and a planned doubling over the next five years. Concurrently, NIST's role of providing generic, supporting technologies over the entire technology life cycle has not been supported with increased resources. U.S. industry values NIST technical contributions, but believes NIST has been delivering "too little, too late."

Regional Manufacturing Technology Centers

You and I recently had the opportunity to visit the southeast Manufacturing Technology Center, one of the first three NIST manufacturing centers.

QUESTION:

In your judgement, are these three centers performing well? Are they doing a good job?

ANSWER:

Yes. In the first year they have defined programmatic approaches, developed staffing plans, designed demonstration centers, and begun to work with small and medium-sized client firms. Hiring to the first-year funding level has been completed. Equipment has been installed in demonstration centers, and projects have been completed with client firms. They are learning what works. Although it is early in the program, the Centers are making solid progress.

QUESTION:

Since last year's report states explicitly that $4.0 million of the $7.5 million appropriated in FY 1990 to the centers program shall be used to establish additional centers, how many new centers will you start this fiscal year?

ANSWER:

We expect to start one or two new centers in FY 1990 or very early in FY 1991.

QUESTION:

When will the competition begin?

ANSWER:

The Administration is completing a draft description of a program for establishing additional centers, with selection and evaluation criteria which reflect our experience with the first three centers. We expect this description to be published shortly in the Federal Register, and following a public comment period, to publish a final description and request for proposals. It will be possible to complete these steps and make awards for new centers in both fiscal years 1990 and 1991.

QUESTION:

What will be the criteria for the competition, i.e., will there be some priority to assure geographic distribution?

ANSWER:

In the proposed Federal Register, there is a section on proposal evaluation and criteria. Specific items addressed are regional need (including geographical location), technology resources, technology delivery mechanisms, and management and financial plan.

QUESTION:

Will you make awards by the end of the fiscal year?

ANSWER:

We are moving to review the 3 existing centers and will complete these awards and expect to make an award to establish at least one new center this fiscal year.

QUESTION:

Why has there been no action so far to start the new competition?

ANSWER:

As soon as the final description and request for proposals has been cleared and the public comment period finished, the competition will start.

QUESTION:

How much is really needed for 1991?

ANSWER:

The total needed for the MTC's for FY 90 and FY 91 is $25.2 million. We will find $7 million within the President's FY 91 request to implement this plan.

FY 90		
Continue 3 centers @ $3M	$ 9.0M	
1 new center @ $1.5M	1.5	
Admin/Tech. support	.6	
Subtotal		$11.1M
FY 91		
Continue 4 centers @ $3M	$12.0	
1 new center @ $1.5M	1.5	
Admin/Tech. support	.6	
Subtotal		14.1M
Total		$25.2M

Advanced Technology Program

QUESTION:

What is the schedule for obligating the $10,000,000 appropriated for the Advanced Technology Program? When will the formal competition begin, when will you select the winners, and can you assure the committee that the $10 million will be obligated by the end of this fiscal year?

ANSWER:

Advanced Technology Program Timeline for Initial Competition:

- ATP rule published for comment in Federal Register (April 3)
- ATP rule published in final form (May 15)
- Initial Program Announcement ("RFP") published (May 15)
- Closing date for proposals (July 15)
- End of proposal review (Sept. 14)
- Announcement of Initial Grant Recipients (Sept. 28)
- Complete negotiations for Initial Grants (Nov. 29)

QUESTION:

The 1991 Budget maintains ATP at the start up level of $10,000,000. That's not enough! What is NIST's 1991 request to the Department for ATP?

ANSWER:

$70,000,000.

QUESTION:

What is the legal basis, if any, for stating that a domestic research program must be unconditionally opened to foreign-owned entities? There is no "GATT Research Code," and the GATT Procurement Code does not apply because this program does not procure goods or services: it awards research grants. Also, how does the ATP situation differ from the SEMATECH project, where the Administration has agreed to a total ban on the participation of foreign-owned firms?

ANSWER:

The Administration does not contend that a domestic research program "must be unconditionally opened to foreign-owned entities." Our position is that government-sponsored research programs **should not** single out firms with non-U.S. ownership or control and either bar them automatically from participation or subject their participation to onerous requirements. To do so needlessly would damage the United States' credibility in urging policies of free international trade and open investment. Moreover, we do not want to foreclose a situation in which U.S. firms receiving ATP funding might have to strike an alliance with a foreign firm because it is the only source of some complementary technology.

We do not contend that the GATT applies to government research grants like those under the Advanced Technology Program (ATP). It is both legal and appropriate to award such grants only when they foster the interests of the nation whose government is making the investment. However, provisions like section 5 of S. 1191 may needlessly antagonize our trading partners in negotiations relating to trade and investment policies and laws. In addition, we are concerned about the reaction of foreign governments that are funding major science and technology programs that we want to assure are open to U.S. businesses.

The Administration's position does not imply that the ownership or control of companies in a consortium should be irrelevant to deciding whether to support a research venture. These are very important factors to be considered when weighing all of the advantages and disadvantages of a venture from the standpoint of U.S. welfare and competitiveness.

Finally the national security considerations associated with the establishment of SEMATECH are different than those presented in establishing of ATP.

QUESTION:

Are all domestic research programs now supposed to provide foreign entities with the same access Americans receive? Does the February 5 letter represent a major shift in Federal research policy? For example, does the

President now believe that denying National Science Foundation research grants to universities in Japan and Europe constitutes "discrimination"? Will the President now veto bills for the National Institutes of Health if half the money is not awarded to medical researchers overseas? To stretch the Administration's logic further, are farmers in Korea and Germany now eligible for U.S. agricultural price supports? I am picking these examples not because they sound outlandish, which they do, but because they are the logical extension of the position that Administration officials have taken on the ATP.

ANSWER:

As indicated in response to the previous question, the Administration does not say that the ATP must support foreign entities at all, much less to the same degree it supports U.S. entities. The taxpayer dollars involved in the ATP should be spent only to enhance this nation's welfare.

QUESTION:

As you know, the joint research ventures which will apply for ATP assistance are voluntary business associations paying at least half the cost of the specified research. Is it the intention of this Administration that a voluntary business group be forced to accept foreign-owned corporations and share its technology with them as a condition of receiving any ATP assistance? In short, does the Administration want to compel American research consortia to admit foreign-owned firms? If so, how does this position square with the Administration's stated belief in minimizing government interference with industrial decisions?

ANSWER:

We do not understand the basis for suggesting that the Administration might favor compelling U.S. consortia to admit foreign partners. By urging against hard-and-fast rules against supporting ventures having some degree of foreign-firm participation, the Administration's position would have the effect of increasing the self-determination of U.S. firms. Our recommended approach would make it possible for them not to lose potential government support by taking in a foreign partner who might be essential to the success of a project.

QUESTION:

Wendell's letter makes no mention of any reciprocity requirement, which leads me to several additional questions: (a) If Administration trade officials believe that a domestic research program which either favors a nation's own firms or else sets conditions for the participation of foreign firms is "discriminatory," have they filed complaints against government research programs working hard on getting reciprocal access in

Japan and Europe? For example, I have attached the rules of Europe's EUREKA project, which clearly state that a company from a non-member country may participate in a EUREKA research project only if the project's participants from member countries agree and if the governments of these participants approve. Japan often requires that a foreign company maintain a full-scale research laboratory in that country before said company may participate in a government-assisted project. (b) If U.S. trade agencies have not filed such complaints, how can they conclude that a practice they do not formally criticize in other countries would be "discrimination" in U.S. programs? (c) Finally, if other countries keep rules similar to those stated in S. 1191, is the Administration therefore saying that the United States should unilaterally provide access to our taxpayer-supported research projects without getting anything in return?

ANSWER:

As previously mentioned, the Administration does not contend that governments cannot or should not favor their own national interest in making their spending decisions. Where this is the only question, we see no basis for formal complaint. However, we do not believe it generally wise for countries to place arbitrary advance conditions -- such as reciprocity requirements -- upon their support of ventures potentially involving foreign firms when such action would likely chill efficient business conduct of benefit to all parties. Indeed, we are working actively to obtain access for U.S. businesses to foreign laboratories and technology programs. On the other hand, we would not consider it "discriminatory" if our government in a given case refused to support a venture in light of some "one-way-street" policy of the home government of a participant.

We certainly do not suggest that the United States should allow itself to "get nothing in return" for its tax dollars. In fact, making sure that we do obtain a good return on taxpayers' dollars is the criterion the Administration believes should determine what agreements or conditions should be required in any given case.

Standards Expert for Saudi Arabia

QUESTION:

Last year's Senate report was explicit that NIST is to provide $125,000 from FY 1990 appropriated funds to match private sector funding for underwriting the cost of sending one United States Government Standards Expert to Saudi Arabia to assist the Saudi Arabian Standards Organization in the development of a new standards code.

- Have you complied with this directive?
- If so, has the Standards Expert in fact been sent to Saudi Arabia?

- If you have not complied with the committee's directive, why have you delayed and when do you intend to comply?

ANSWER:

The American/Saudi Roundtable (Gil Dwyer, N.Y.) has raised adequate funding to implement the program and proposes to bear all costs (except for arrangements provided by SASO, i.e., office space and support and local transportation). NIST and the Roundtable have established a Memorandum of Understanding to this effect and have established a joint program to assist SASO in developing standards compatible with those in the U.S. The Roundtable has hired a person and he is now in Saudi Arabia. His title is Coordinator, U.S./Saudi Arabia Standards Program.

Support of U.S. Electronics Industry

QUESTION:

NIST is trying to help maintain a strong U.S. electronics industry by expanding its program of measurement support services for "Advanced Semiconductors."

How are these efforts coordinated with other closely related Federal initiatives directed toward the same general objective, including those underway at SEMATECH, various university "Centers of Excellence" and the national laboratories?

ANSWER:

NIST has a unique role in semiconductor measurements and standards which is recognized both in the private sector and in the government. NIST's contribution to the development of the measurement technology is critical to the success of other federally or privately funded programs. The President's budget contains an increase in this program because the larger program is needed to permit the continued advancement of the U.S. semiconductor industry.

Within the federal government, there are five agencies which have significant research and development programs in the semiconductor area: the Department of Commerce, the Department of Defense, the Department of Energy, the National Aeronautics and Space Administration, and the National Science Foundation. Each of these has its individual responsibilities. The Department of Commerce, through its NIST laboratories, provides generic measurements and services, national reference standards, carefully evaluated reference data, technical consultation on measurements, and theory. As one of many examples of the impact of NIST's work, NIST has developed a measurement method and standard reference material to determine the resistivity of silicon, the base material used in most semiconductor circuits today. Early studies showed that the method provided industry with savings that were more than 100 times greater than the cost of the NIST research. During the past five years, more than 180 companies have purchased the NIST standard reference materials (SRM's). A former vice president of ADE Corporation, referring to ADE's major market share of process control systems, said "The availability of Resistivity SRM's was a significant factor in developing and selling the nearly $50 million installed base of these systems."

The NIST is the only Federal laboratory established by law (the Omnibus Trade and Competitiveness Act of 1988) to assist industry improve the quality of its products and manufacturing processes. This responsibility is fulfilled primarily through the development of the required underlying measurement science and technology. Industry recognizes the necessity for NIST to fulfill this role and the contributions that NIST has made. For example, R. Noyce, the Chief Executive Officer of SEMATECH, and other SEMATECH officials have written that "NIST must also address more fundamental, long range, topics which are of valid concern to the industry but which do not fit SEMATECH's charter to support directly. These activities need your support and, to be effective, they require a larger funding level to accelerate the solutions to key measurement problems." The President of KLA Instruments Corporation, Kenneth Levy, writes, "Mathematical theory and technique developed by NIST has been incorporated in our products and has helped us become one of the world's largest suppliers of image processing equipment."

The Department of Defense is developing the semiconductor technology that it requires for advanced weapons systems but which is not yet available in the private sector. When appropriate, the Department of Defense contracts with NIST to develop the measurement technology needed to support advances in semiconductor technology. At the end of a six year program, for example, DARPA reported that a program that they funded at what was then the National Bureau of Standards, "... improved purchased circuit yields by as much as 35 times...". The relevant staff from the Department of Defense recognize that NIST's responsibility is to provide broadly based generic measurement technology, but that the Department of Defense must fund any research needed to customize this measurement technology to their unique needs. NIST and the Department of Defense maintain continuing interaction to help meet the Nation's defense requirements as efficiently as possible.

The Department of Energy carries out research on semiconductors and semiconductor manufacturing technology because of weapons program requirements for state-of-the-art integrated circuits and to support the development of reliable, low cost photovoltaic systems. Like those in the Department of Defense, the programs in the Department of Energy are motivated by the Federal

Government's own direct needs, i.e. where it is the principal user. Most of the Department of Energy research is conducted by contractor-operated laboratories called national laboratories. NIST makes use of the facilities offered by these laboratories as appropriate. For example, NIST maintains a beam line at the National Synchrotron Light Source at Brookhaven National Laboratory, a line which is used to determine the properties of semiconductor materials.

As a user of NIST research, the National Aeronautics and Space Administration focuses on meeting the need for space qualified semiconductor circuits, again an area in which the Government is the primary market. As an example of NASA's use of NIST's advances in measurement technology, NIST developed the first systems capable of nondestructively testing power semiconductor devices to their limits of failure. NASA used the system to characterize the power semiconductors in the main engine controllers of the space shuttle. Failures had occurred and replacement, once the device is installed, costs about $1 million. Now the candidate devices are tested with the NIST system and reliability is improved.

The National Science Foundation is responsible for funding basic research in universities. This research produces both basic knowledge and well trained students. The research results influence NIST's programs and the students trained are frequently hired by NIST. Moreover, there is ongoing coordination through such activities as jointly funded conferences, exchanges of staff, and staff of each organization serving as advisors to the other.

Federal Laboratory Consortium

The Federal Technology Transfer Act of 1986 directs NIST to bill and collect funds for the Federal Laboratory Consortium for Technology Transfer (FLC). The act intended that the FLC would be funded at about $1 million per year, with funds contributed by federal agencies carrying out research and development at federal laboratories.

QUESTION:

How much in funds can NIST expect to collect from federal agencies in FY 1990?

ANSWER:

NIST expects to bill federal agencies for $1,552,000 in FY 1990.

QUESTION:

Are there any differences in the amount NIST bills agencies and the amounts the agencies are willing to contribute? If so, why?

ANSWER:

In past years, NIST has collected 80-90 percent of the amount billed. Some agencies have underpaid while other agencies contributed more than they were billed.

QUESTION:

Is there a need for clarification on how each agency's funding share is to be calculated?

ANSWER:

Agencies are aware that their contributions are based upon NSF's report of estimated current year intramural R&D obligations, as reported to NSF by the agencies themselves. There is no need to clarify how the calculation is made. It should be remembered, however, that the data are estimates for the current fiscal year and will frequently change based upon actual appropriations to agencies.

QUESTION:

Does NIST bill each agency for its "fair share" of FLC funding?

ANSWER:

Yes.

The Federal Technology Transfer Act of 1986 specified that each federal agency provide an amount equal to .005 percent (or $50 per $1M) of the intramural R&D budgets of its combined laboratories. The Omnibus Trade Act subsequently revised the set aside percentage to .008 percent (or $80 per $1M). Therefore, the other federal agencies are billed based on a set-aside of .008 percent of their estimated intramural R&D budgets published by the National Science Foundation.

QUESTION:

What, if anything, does NIST do to encourage each agency to contribute the amount billed?

ANSWER:

NIST personally contacts each agency's FLC representative and budget officer to discuss contributions for the coming year. The proposed contribution, based upon NSF data, is formally communicated in writing to each agency budget officer and FLC representative asking for a response from the agency on the amount they intend to contribute. If the amount is different from the NSF data, NIST negotiates the final amount to be paid with the agency budget officer and FLC representative. NIST has no authority to dictate the amount to be contributed.

QUESTION:

Does NIST have sufficient authority to compel each agency to contribute the amount billed?

ANSWER:

Legislation does not provide NIST with a mechanism for enforcing the transfer of funds.

QUESTION:

Is the FLC effectively accomplishing its mission?

ANSWER:

During the past two years, the FLC, the network that supports cooperation among the Federal laboratories and with potential collaborators, has been strengthened, and all FLC programs identified by the Technology Transfer Act of 1986 are operational. Emphasis has been on providing opportunities for person-to-person cooperation, strengthening the regional operations, and increasing training opportunities for member representatives. The FLC is working toward an increased awareness of the importance of technology transfer on the part of the laboratories, the agencies, and the potential users of innovations. Through the FLC work, past technology transfer successes are being documented, experiences that are being shared, and the compatibility of laboratory missions and commercial opportunities is being recognized. Such technology-based cooperation may provide increasing benefits to the U.S. economy. The FLC may be a forum for collaboration between users of Federal research and government laboratories.

National Voluntary Laboratory Accreditation Program

QUESTION:

The National Voluntary Laboratory Accreditation Program (NVLAP) was initiated to accredit testing laboratories found competent to perform specific tests or types of tests. Accreditation at the national level is widely viewed as a crucial factor in promoting greater credibility and acceptance of U.S. products for trading in international markets.

With growing concerns over U.S. competitiveness and the European community unifying -- among other things, its standards and accreditation programs -- what role can and should NVLAP play in presenting a united front for the U.S. on international trade issues?

ANSWER:

The National Voluntary Laboratory Accreditation Program (NVLAP) has developed accreditation in twelve technical fields where it has been requested to do so by the private sector. An additional field, fastener quality, will be based on Congressional mandate, if legislation presently being considered by the Congress is enacted into law. The program now operates on a fee-supported basis where its total support derives from participating laboratories paying for services they immediately receive.

Testing and certification by accredited laboratories of products and technical processes is of rapidly growing importance for commercial reasons. As the European Community (EC) unifies its markets, by the end of 1992, it will require imported products to demonstrate certificates of laboratory tests confirming compliance with technical standards equivalent to those of the EC.

NVLAP can be the U.S. focal point for laboratory accreditation activities. The program has four important attributes which qualify it for this assignment: (1) Model Procedures; (2) International ties and technical acceptance; (3) Official U.S. Government status; and (4) Fifteen years of experience in the field of accrediting laboratories.

The details of how NVLAP could be scaled up to handle all U.S. laboratory accreditation needs are still under consideration. Possibilities include a hierarchical approach wherein existent U.S. voluntary programs could be assessed and accredited by NVLAP to do major portions of the day-to-day work.

COMPUTER SECURITY

QUESTION:

NIST requests a $2.5 million increase for the Computer Security Program. What are you presently doing to implement the Computer Security Act of 1987, and why do you believe this increase is necessary?

ANSWER:

The accomplishments to date responding to the Computer Security Act of 1987 include:

- o Established NIST/NSA team and reviewing Federal agency computer security plans for sensitive computer systems (1,700 civilian agency plans and 28,000 Defense Department plans).
- o Published Computer Security Training Guide and Computer Security Awareness Guide.
- o Established a risk management laboratory.
- o Demonstrated multi-vendor computer network data integrity and confidentiality security.
- o Established the Computer System Security and Privacy Advisory Board.

This increase focuses on security of distributed systems, which are many computers linked together, and techniques and methods for responding to malicious software attacks. Needed standards, guidance and technical solutions for these problems would be delayed without this increase.

If Federal agencies do not have timely guidance and technical measures for protecting these distributed systems, they will not have the ability to:

- assess risks that result in loss of confidentiality, integrity, and availability of information resources;
- develop contingency and backup plans for complex systems whose components may be distributed nationally and internationally;
- protect distributed systems from malicious software attacks that can result in loss or alteration of critical and valuable information; and
- procure off-the-shelf system hardware and software products that incorporate security standards.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

Last year Congress funded the Boehlert-Rockefeller State Technology Extension Program at $1.3 million. As you know, this program provides vital outreach services to states without a large industrial base. It furnishes hands-on technology assistance to small businesses to resolve problems such as manufacturing complications or upgrading skills. The Senate Small Business Committee recently held a hearing on technology transfer, and received an overwhelming amount of testimony, including from DoC, in support of this program. Nonetheless, this program was zero funded in the President's FY 1991 request. NIST's accompanying justifications state: "Each state has responsibility for its own economic development. This program duplicates functions being carried out by SBA's Small Business Innovative Research Program, the Federal Laboratory Consortium, and many state programs."

QUESTION:

Why did the President request zero funds for this program even though officials from the Commerce Department have publicly supported it?

ANSWER:

The President's Budget requests funds for technology transfer through the Advanced Technology Program and the Manufacturing Technology Centers. These programs are higher priority than adding additional funds to work with states beyond the $1.3 million appropriated in FY 1990. ATP and MTC also meet immediate needs which are not being met by other programs while several programs work with states to provide technical assistance to businesses.

QUESTION:

Who thought this program should be zeroed out? NIST? Commerce? OMB? If NIST requested funds, how much?

ANSWER:

NIST made a request for $4 million. No request for funds went forward to OMB.

QUESTION:

How does the state technology extension program duplicate functions in SBA's Small Business Innovative Research Program? Or the Federal Laboratory Consortium?

ANSWER:

These programs, in addition to the Clearinghouse on State Technology Initiatives and NASA's Industrial Applications Program, work with states to transfer technology to small and medium sized businesses. Through the SBIR program, a portion of Federal R&D expenditures are set aside for small businesses. The FLC also provides state programs with access to Federal laboratories for the purpose of technology transfer. The objective of the Clearinghouse is to coordinate and provide information on the state technology programs. Because the Federal Government currently provides several programs which provide assistance and information, continued funding for the State Technology Extension Program is considered lower priority than technology transfer programs such as MTC and ATP.

QUESTION:

What state programs provide these same services? Please provide details.

ANSWER:

A number of states provide technical services to businesses. Details on these programs are available through the NIST report to Congress, "A Study of State Technology Extension Services."

State technology programs provide technical services to businesses and most can be broadly described as being of three types: technology information brokers, university based field offices, and state sponsored consulting services and technology centers.

The technology information brokers refer businesses to sources of information or assistance. Examples include

PENNTAP in Pennsylvania and OTTO in Ohio. OTTO handled over 4,000 requests in 1988.

The university based field offices focus on solving specific technical difficulties. The University of Maryland's Technology Extension Services and the Georgia Institute of Technology are two good examples. The latter assisted some 900 firms in 1988, the former about 300.

The state sponsored consulting services and technology centers employ technical consultants and emphasize technological modernization rather than problem solving. The Michigan Modernization Services is a good example which in 1988 served about 130 clients with a budget of about $2.8 million.

QUESTION:

It is my understanding that there has been some discussion about moving the Boehlert-Rockefeller state technology extension program from NIST to another part of Commerce. Are there any plans to reorganize the administration of this program? What would the legislative authority be for such a change?

ANSWER:

We have no plans to reorganize the administration of this program. It is our opinion that legislation would be required.

QUESTION:

How will the grant evaluation guidelines under the state technology extension program ensure that unfair advantage will not be given to larger, wealthier states that have ongoing programs?

ANSWER:

The legislation requires that the evaluation of each state application include consideration of "the extent to which the state extension service will demonstrate new methods..." (emphasis added). By applying the term "new methods" to each state, we will ensure that no advantage is given to wealthier states with on-going programs. However, the legislation also requires a state commitment to spend an amount equal to the federal assistance. The Administration considers it important to leverage the federal funds to the maximum extent practical. We have, accordingly, included a requirement in the evaluation criteria that consideration be given to the total dollar amount committed by each applicant.

QUESTIONS SUBMITTED BY SENATOR WARREN RUDMAN

Advanced Technology Program

QUESTION:

During our hearing with the Secretary of Commerce I discussed the degree of which foreign participation will or will not be allowed in the Advanced Technology Program, which we funded at a level of $10 million in 1990. The Secretary indicated that he would have to "follow the law" in regard to foreign participation in the program, and I agree; if the law states we must allow foreign participation, then we must -- at least, until the law is changed.

Since the hearing, the Commerce Department has been unable to identify any law which would specifically bar the United States from limiting the award of grant funds to American companies. You have written draft regulations for the implementation of the Advanced Technology Program and I understand they are under review at OMB. Do the draft regulations limit foreign participation in this program? If not, why not?

ANSWER:

Draft procedural regulations for the Advanced Technology Program were published for public comment on April 4.

Although the rule does not explicitly limit foreign participation, two aspects of the rule are useful in handling participation. First, only United States joint R&D ventures (Section 295.21) and United States businesses and independent laboratories (Section 295.31) qualify for support. Second, title to any invention made under an award can be withheld from foreign participants whenever the Secretary determines that such action would better promote commercialization of the invention by United States industry and labor.

QUESTION:

FOLLOWUP: Under the leadership of Senator Hollings the Advanced Technology Program has been authorized in the Senate. Unfortunately, final authorization awaits House action. The Senate bill include provisions to limit foreign participation in this program. If these provisions are attached to the 1991 appropriations bill for the National Institute of Standards and Technology, you will be able to implement them for the funding we provide in 1991, won't you?

ANSWER:

If limitations on foreign participation are enacted, we would immediately initiate their implementation. If the regulation has to be revised, NIST would have to publish the revised regulation for public comment.

High Definition Television

QUESTION:

In its 1989 annual report, the Visiting Committee on Advanced Technology of the National Institute of Standards and Technology made several recommendations regarding the role of NIST in the development of advanced television technology. The chief recommendation was that the Institute establish a national Advanced Digital Imaging Measurement Facility as a focal point of the Department's and the Nation's advanced television development efforts. What role does the Institute have in research and development efforts regarding High Definition Television? Would you agree that such an imaging measurement facility would be desirable?

ANSWER:

Although the National Institute of Standards and Technology has no technical programs specifically focused on advanced television, it carries out significant programs which are broader than, but technically related to, advanced television systems. In the area of advanced television systems, the results from these programs will be needed by the private sector and other government agencies:

(1) to develop standards for components and systems, both hardware and software, which permit the timely and efficient implementation of the initial advanced television systems but do not limit future technical advances,

(2) to develop methods to test for compliance with the standards, and

(3) to remove technical barriers in such areas as display technology or data compression technology.

The technology infrastructure support which NIST provides will be essential for the rapid commercialization of a complex systems technology such as high definition television.

Most of the related technical programs are carried out in two NIST organizations, the National Computer Systems Laboratory and the National Engineering Laboratory's Center for Electronics and Electrical Engineering. The National Computer Systems Laboratory conducts a program of research and technical support to government and industry in the effective application of computer and related telecommunication technologies which focuses largely on the software aspects of the problems.

The Center for Electronics and Electrical Engineering conducts programs of research and measurement science in the interrelated areas of electronics, opto-electronics, electromagnetics, and electrical engineering supports the development of consensus standards, with emphasis on hardware rather than software. Staff expertise in standards and measurement technology in such areas as fiber optic communication systems. digital data transmission networks, satellite communications, antenna characterization, microcircuit metrology, and electronic instrumentation will be needed for any technical program in the area of advanced television.

The President's budget includes requests for increased funding to expand the technical programs in each of these two NIST organizations to meet the expanding measurement needs of industry broadly. These expansions will also assist industry in the development of advanced television technology.

In addition to these ongoing technical programs, NIST is participating in a collaborative project with the Defense Advanced Research Projects Agency (DARPA) to establish at NIST an image simulation facility which will be used by the private sector to reduce the time required to design and evaluate the performance characteristics of new video signal processing systems to be developed under the DARPA High Definition Display and Signal Processing Program. The cornerstone of this facility is to be a massively parallel computer capable of real-time processing of television images. The computer is being constructed by the David Sarnoff Research Center and is scheduled for delivery to NIST early in 1991.

This facility, combined with the measurement programs described above, provide U.S. industry with much of the support which would be available through an "imaging measurement facility." The program expansions requested in the President's budget and the collaborative project with DARPA were announced subsequent to the report of the Visiting Committee on Advanced Technology and are consistent with the intent of its recommendations.

SUBCOMMITTEE RECESS

Senator HOLLINGS. This concludes our hearing for today. The subcommittee will recess until 10 o'clock on April 19, when we will hear from the Small Business Administration and the Legal Services Corporation. Tickets for that one are $5 apiece. [Laughter.]

[Whereupon at 11:05 a.m., Thursday, March 29, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, April 19.]

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